# NOTICE OF
# BUDGET & FINANCE COMMITTEE MEETING
# December 6, 2022

Responsible for the review of District finances including: rates, fees, charges and other sources of revenue; budget and reserves; audit; investments; insurance; and other financial matters.

NOTICE IS HEREBY GIVEN that the San Lorenzo Valley Water District has called a regular meeting of the Budget & Finance Committee to be held on **Tuesday, December 6, 2022, at 2:00 p.m.**, via video/teleconference.

**There will not be any physical location for this meeting. Pursuant to AB 361 and San Lorenzo Valley Water District Resolution No. 4 (21-22) this meeting will be conducted by video/teleconference. Any person in need of any reasonable modification or accommodation in order to participate in the meeting may contact the District Secretary's Office at (831) 430-4636 a minimum of 72 hours prior to the scheduled meeting. The meeting access information is as follows:**

https://global.gotomeeting.com/join/526036549

You can also dial in using your phone.
(For supported devices, tap a one-touch number below to join instantly.)

United States (Toll Free): 1 877 309 2073
- One-touch: tel:+18773092073,,526036549#

United States: +1 (571) 317-3129
- One-touch: tel:+15713173129,,526036549#

Access Code: 526-036-549

## AGENDA

1. Convene Meeting
   Roll Call

2. Oral Communications
   *This portion of the agenda is reserved for Oral Communications by the public for items which are not on the Agenda. Please understand that California law (The Brown Act) limits what the Board can do regarding issues raised during Oral Communication. No action or discussion may occur on issues outside of those already listed on today's agenda. Any person may address the Committee at this time, on any subject that lies within the jurisdiction of the District. Normally, presentations must not exceed five (5) minutes in length, and individuals may only speak once during Oral Communications.*

*Any Director may request that the matter be placed on a future agenda or staff may be directed to provide a brief response.*

3. Unfinished Business:

*Members of the public will be given the opportunity to address each scheduled item prior to Committee action. The Chairperson of the Committee may establish a time limit for members of the public to address the Committee on agendized items.*

   a. WATER RATE STUDY – DRAFT REQUEST FOR PROPOSALS
   Review and discuss the Draft RFP for a Water Rate Study prepared by staff.

4. New Business:

*Members of the public will be given the opportunity to address each scheduled item prior to Committee action. The Chairperson of the Committee may establish a time limit for members of the public to address the Committee on agendized items.*

   a. DRAFT ANNUAL COMPREHENSIVE FINANCIAL REPORT FY 2021-22
   Discussion by the Committee and staff regarding the Draft ACFR for FY2021-2022. .

5. Informational Material
Here is a link to previous B & F Committee meeting minutes:
All Finance Meeting Minutes | San Lorenzo Valley Water District (slvwd.com)

6. Adjournment

***Agenda documents, including materials related to an item on this agenda submitted to the Committee after distribution of the agenda packet, are available for public inspection and may be reviewed at the office of the District Secretary, 13060 Highway 9, Boulder Creek, CA 95006 during normal business hours. Such documents may also be available on the District website at www.slvwd.com subject to staff's ability to post the documents before the meeting.***

**Certification of Posting**

I hereby certify that on December 2, 2022, I posted a copy of the foregoing agenda in the outside display case at the District Office, 13060 Highway 9, Boulder Creek, California, said time being at least 72 hours in advance of the regular meeting of the B & F Committee of the San Lorenzo Valley Water District in compliance with California Government Code Section 54956.

Executed at Boulder Creek, California, on December 2, 2022.

Holly B. Hossack, District Secretary

# M E M O

TO: Budget & Finance Committee

FROM: Director of Finance

SUBJECT: Rate Study RFP

DATE: December 6, 2022

RECOMMENDATION:

It is recommended that the Budget & Finance Committee review & recommend the draft Rate Study RFP go to the Board of Directors for review.

BACKGROUND:

At the November 1, 2022 Budget & Finance Committee meeting, a draft Rate Study RFP was presented and discussed. After taking into consideration the comments and input from the committee, District staff have made a few changes to the draft Rate Study RFP.

KEY ITEMS THAT WERE DISCUSSED:

1. Inconsistency in the description needs to be edited
2. Look at base rate increase vs. volumetric rates
3. Possible Capital Improvement surcharge
4. Tiered rates need to be instituted
5. Bottom tier should be tied to CA standard for indoor usage

Staff has included a recommendation section in the RFP that highlights the areas that we would like the consultant to explore based on the discussion from the last committee meeting. This can be added to once we receive comments from the full Board.

ATTACHMENTS:

1. Email from Director Hill with comments on draft Rate Study RFP
2. Email from Gina Nicholls in response to intellectual property questions from Director Hill's email

San Lorenzo Valley
WATER DISTRICT

# REQUEST FOR PROPOSALS TO PROVIDE:

**CONSULTING SERVICES TO THE SAN LORENZO VALLEY WATER DISTRICT**

# PROJECT TITLE:

**2023 RATE STUDY**

# RESPONSE DUE BEFORE 3:00 P.M. ON

**XX/XX/XXXX**

**San Lorenzo Valley Water District**

**13060 Highway 9**
**Boulder Creek, CA 95006**
**(831) 430-4621**

## I. INTRODUCTION

The San Lorenzo Valley Water District is soliciting proposals from qualified firms to conduct a Rate Study to assist in determining how the District funds the administration, operation, maintenance and capital replacement and improvement of its water and sewer systems. The District is seeking a multi-year plan to align revenue with expenses, with an understanding that projected capital expenses will grow incrementally as revenue is increased on a per-fiscal year basis.

The study will evaluate all current water and sewer rates, system revenue generation and full cost recovery. The study will provide recommendations for revenue structures that will meet all revenue and debt service requirements. The proposed revenue structures will comply with all federal, state and local regulations.

The District anticipates submission of a final Revenue Study no later than XX/XX/XXX and a formal Board Presentation on XX/XX/XXX.

## II. GENERAL INFORMATION

### A. Water

San Lorenzo Valley Water District (SLVWD or District) is an urban water supplier to approximately 8,200 customers. The District was established in 1941 and serves several communities within the 136 square-mile San Lorenzo River watershed. The District owns, operates, and maintains two water systems that supply separate service areas from separate water sources; the SLVWD system and the SLVWD-Felton system. The SLVWD system service area includes the communities of: Boulder Creek, North of Boulder Creek, Brookdale, Ben Lomond, Quail Hollow, Glen Arbor, Zayante, Lompico and the Scotts Valley areas of Hidden Glenn, Lockewood Ln, Pasatiempo Pines, Whispering Pines, Manana Woods and both Spring Lakes and Vista Del Lago Mobile Home Parks. The SLVWD-Felton system service area includes the town of Felton, Highway 9 south to Big Trees, San Lorenzo Ave, Felton Empire Grade, Felton Grove and El Solyo Heights.

The District's legal boundaries encompass approximately 62 square miles. Land uses include timber, State and regional parks, schools, water supply watersheds, rural residential, low-density urban residential and commercial, quarries, agriculture, and other open space. Within these boundaries, the District's two service areas have a combined area of approximately 26 square miles.

The District relies on both surface water and groundwater resources; including nine active stream diversions (three of the nine are currently active), one groundwater spring, and eight active groundwater wells. These sources are derived solely from rainfall within the San Lorenzo River watershed.

The District is committed as a member of the Santa Margarita Ground Water Agency (SMGWA). SMGWA oversees the groundwater management activities of the Santa Margarita Basin Area in Santa Cruz County, California. The agency has three member agencies: Scotts Valley Water District, San Lorenzo Valley Water District, and County of Santa Cruz.

The scale and complexity of SLVWD's water distribution system reflect the San Lorenzo Valley's rugged topography, dispersed pattern of development, and widely distributed raw water sources. The District's two systems have limited above-ground storage capacity equal to a few days' average use, and rely on groundwater for seasonal and year-to-year storage. The District produces and treats water based on relatively immediate water demand.

The District maintains thirty seven (37) pressure zones. Thirty six (36) of these zones include a booster station, required to pump potable water up to the tank(s) associated with that system. The energy required to run each pump varies based primarily on the elevation change between the pump station and the tank(s); age and design efficiency play a smaller part in energy expenditure. The District's dispersed layout requires that many zones are "pass-through" zones, meaning that potable water must be pumped from treatment up to a zone, then pumped again up to a second, third, or even fourth zone. This highly dispersed and interconnected layout results in pumping costs that vary from zone to zone.

## B. Wastewater

The District's Bear Creek Estates Wastewater System operates in and around the neighborhoods along Deerwood Drive, Harmon Gulch and Timberwood Road which serves approximately 56 homes. There are no direct wastewater system employees. The system is operated on a routine or as needed basis with direct staff being allocated from the Water Fund Operations & Distribution or Supply & Treatment Departments.

- The system collects and treats domestic wastewater flow.
- The existing collection system consists of 19 manholes, 2 cleanouts, approximately 3,600 linear feet of gravity sewer, 2,600 linear feet of force mains, 2 sewer pump stations and 56 laterals.
- Initially constructed in 1985, it consisted of two (2) cast-in-place, underground concrete tanks, an influent pump station and an effluent pump station discharging treated effluent to a subsurface 2.3-acre leach field.
- From 2005 through 2013, the District completed several modifications aimed at achieving regulatory compliance and improved nitrogen removal efficiency. This resulted in the existing treatment septic system being modified to incorporate a 3-stage trickling filter system, new internal recirculation/splitter/ball valves, and new air blowers with high capacity disc diffusers in the clarifier tanks.
- Due to higher regulatory requirements, there is still significant improvements needed for the wastewater system.

## C. District Operations

The District operates on a fiscal calendar starting July 1 through June 30.

The District contracted with Akel Engineering in 2019 to complete a Water Master Plan (WMP) and Capital Improvement Plan (CIP). This work was completed in 2021. The CIP includes recommendations for rehabilitation and/or upgrade of the majority of the District's infrastructure, including a rough prioritization. The District is currently in the process of analyzing the CIP and recommendations in order to determine both priorities and relative costs for each recommended upgrade or rehabilitation.

The District was severely impacted by the CZU Lightning Complex Wildfires (Wildfire) in 2020. The District's water system sustained tens of millions of dollars in damage, most significantly to raw water supply lines and storage tanks. The damage was extensive and also impacted water treatment systems, pumps, water quality monitoring equipment, and long-distance water transmission pipeline.

The District anticipates receiving partial financial assistance through the Federal Emergency Management Agency (FEMA) to help cover the cost of emergency response, recovery, and permanent repairs. The District will be responsible to pay all of these costs (and other CZU Wildfire costs) up front and will submit eligible project costs for FEMA reimbursement, upon completion.

The District implemented a Fire Recovery Surcharge through the Prop 218 process in August 2021 to help recover CZU Wildfire costs not covered by FEMA. The surcharge added a monthly charge and will last about 5 years and will automatically terminate once $5 million is collected by the District.

Since the adoption of the Fire Recovery Surcharge in August 2021, some of the key items of the surcharge basis have changed. The FEMA cost share percentage increased from 75% to 90% and most notably, the

constructability study completed by Freyer & Laureta. The Study evaluated the various replacement options and recommended that the destroyed at-grade pipe be replaced with buried pipe to protect from future fires. The Study also evaluated the terrain and access issues, determining that both were more significant than previously considered. The recommendation to bury pipe in this terrain, combined with current market conditions, led to an increase in expected costs from approximately $20M to a range from $40M - $50M.
In addition, the District is considering hiring a capital project construction crew of four to five individuals. The intent would be to capitalize the employee cost and dedicate this construction crew to pipeline installation.

## III. PROJECT SCOPE OF SERVICES

The proposed scope of required services for this project includes:

**TASK 100 – PROJECT MANAGEMENT AND INFORMATION COLLECTION**

Consultant shall provide overall project management including contract administration, budget and schedule tracking, kick-off and progress meetings and controls. Consultant shall assume three meetings with staff and five public meetings (Board and/or special meetings), and one workshop with community involvement.

Consultant shall provide internal quality control and quality assurance procedures.

Consultant shall propose a project schedule that meets or exceeds the timeline provided in this Request for Proposals.

**TASK 200 – REVENUE STUDY**

The study shall include the following:

Conduct a detailed review of the District's operating and capital improvement budgets and develop a 10-year Finance Plan that promotes financial sustainability and maintains adequate debt coverage and reserve levels.

- Consultant shall include a detailed cost of service analysis.
- Consultant shall develop an understanding of the recently completed Master Plan.
- Consultant shall develop an understanding of the existing rate structures and the assumptions underlying cost distribution to the various cost centers.
- Consultant shall develop an understanding of the District's reserve policies and other financial policies. Ensure recommendations meet cash flow objectives.
- Consultant shall develop an understanding of the District's existing debt service requirements.
- Consultant shall assess existing customer service fee structure and identify potential areas for service and system charges and recommend changes.
- Consultant shall propose current and future revenue needed to provide water and wastewater services in conformance with established and anticipated changes to standards and regulations.
- Consultant shall demonstrate that costs are distributed in proportion to the benefit received by rate payers as required by law, and equitable to the extend allowed by law.
- Consultant shall recommend methods for communicating utility costs to include layout of the utility bill and how it might be used to identify actual costs of providing water and sewer services under recommended rate structures. Assess ease of communication associated with each recommended rate structure.

- Recommendations from Budget & Finance Committee – these are recommendations only and may be altered or refined as the rate study develops based on the advice of the selected rate consultant:
  - Tiered rates – explore various tiered rates with one tier that is tied to California standard indoor use
  - Capital Improvement Surcharge – a surcharge that is placed into a restricted account the District can use to pay for Capital Improvements projects
  - Revenue Rate Stabilization – currently the District has a policy that would trigger the implemention of revenue stabilization rates if consumptions drops below a certain threshold. The District is interested in

exploring a surcharge that is placed into a restricted account the District can utilize if consumption drops below a certain threshold

- Zone Rates – explore different rates based on pressure zones to account for higher pumping/utility costs

Consultant shall study available documentation and conduct sufficient field investigation to establish appropriate knowledge of the District to make appropriate assumptions.

Present draft reports at a regulary scheduled Board meeting.

**TASK 300 – FINAL REVENUE STUDY REPORT**

Consultant shall prepare a final report that provides a detailed analysis of work performed and assumptions made. The report shall provide a clear written analysis of the basis upon which needs were calculated. Incorprate changes pursuant to comments received at the draft report Board meeting presentation.

Final report shall include an easy-to-use electronic rate model, preferably in Excel format for use on a Microsoft Windows based system. Consultant shall provide adequate training for said model.

Consultant shall provide seven (7) hard copies (one wet signature and six copies) and a digital pdf of the final report.

Present the final reports and recommended rates to the Board of Directors and members of the public at a formal public meeting and/or hearing.

## IV. PROPOSAL REQUIREMENTS

The proposal shall not exceed 13 pages excluding resumes, cover letter, dividers, front and back covers. Responses to this RFP shall be in the following order and shall include:

1. Executive Summary (1 page maximum)

   Summarize the contents of your firm's proposal in a clear and concise manner.

2. Project Description (2 pages maximum)

   i. Explain the objective of the project and how you propose to accomplish the recognized goals.
   ii. Describe the services and deliverables to be provided.
   iii. Include a statement on what makes your firm uniquely qualified.

3. Identification of Prime Consultant (1 page maximum)

   i. Legal name and address of the company.
   ii. Legal form of company (partnership, corporation).
   iii. If company is wholly owned subsidiary of a "parent company," identify the "parent company."
   iv. Name, title, address and telephone number of person to contact concerning the Response Submittal.
   v. Number of staff and the discipline/job title of each.

4. Identification of Sub Consultants, if any (1 page maximum)

   i. Legal name and address of the company.
   ii. Name, title, address and telephone number of prime contact
   iii. Number of staff and the discipline/job title of each.

5. Project Organization and Experience of the Project Team (3 pages maximum, not including resumes)

i. Describe proposed project organization, including identification and responsibilities of key personnel, including sub-consultants. Include only one-page resumes.
ii. Describe the experience of the Project Manager and the experience that the proposed personnel have working on past projects as a team.
iii. Describe project management approach to the work effort, locations where work will be done, responsibilities for coordination with the District, lines of communication necessary to maintain design on schedule.
iv. Describe a proposed schedule showing all facets of work that will meet the District's objectives and goals in a timely manner.
v. Describe the Firm's capacity to perform the work within the time limitations, considering the firm's current and planned workload and the firm's current and planned work force.

6. Experience and Past Performance, Including Cost and Schedule Control (3 pages max / 3 projects max)
   i. Include a summary of the past experience and performance of the Project Manager on similar projects. Include the following information:

      1. Owner, contact name and phone number
      2. Project size and description
      3. Project budget and total dollar value of completed project
      4. Budgeted project schedule and total time to completion
      5. Estimated construction costs and actual construction costs

   ii. Describe the firm's past experience and performance on similar projects. Include the information listed above.

7. Firm's Local Experience (1 page maximum)

   Describe the firm's experience and knowledge with Cost of Service Studies.

8. Creative Alternatives (1 pages maximum)

   Discuss any creative solutions to meet the project objectives.

9. Proposed Total Professional Fee and Fee Schedules

   i. Proposed fee shall be organized with appropriate breakdown into subtasks.
   ii. Proposed Fee Schedule shall include an estimated timeline (Gantt Chart Format) for completion of each task and subtask.
   iii. Proposed fee shall not be the sole basis of award, but will be used to evaluate the Consultant's understanding of the Scope of Work.
   iv. Include the hourly rates of all staff that will charge directly to the project.

10. Exceptions to this RFP

   The Consultant shall certify that it has fully read the RFP and takes no exceptions to this RFP including, but not limited, to the Consultant Services Agreement (attached). If the Consultant does take exception(s) to any portion of the RFP, the specific portion of the RFP to which exception is taken shall be identified and explained.

   The District will require a professional liability insurance verification for coverage of not less than $1,000,000.00.

## V. EVALUATION CRITERIA

The evaluation criteria and the respective weights that will be given to each criterion are as follows:

| | |
|---|---|
| 1. Executive Summary | 10% |
| 2. Project Description | 25% |
| 3. Identification of Consultant | 5% |
| 4. Project Organization and Experience | 25% |
| 5. Past Performance, Including Cost and Schedule Control | 20% |
| 6. Firm's Local Experience | 5% |
| 7. Creative Alternatives | 5% |
| 8. Proposed Fee | 5% |

## VI. SELECTION PROCESS

The District will enter into negotiations with the top ranked firm. At this time, the District contemplates the use of a Time and Material Not to Exceed contract for the services requested. Negotiations will cover: scope of work, contract terms and conditions, office arrangements, attendance requirements and appropriateness of the proposed fee.

After negotiating a proposed agreement that is fair and reasonable, the District Manager will execute the contract with authorization from the District's Board.

## VII. SELECTION SCHEDULE

The District anticipates that the process for selection of firm and awarding of the contract will be according to the following tentative schedule:

| **Proposal Due Date** | **TBD** |
|---|---|
| Interview (TBD-If Necessary) | TBD |
| Board of Directors Approval | TBD |
| Final Selection and Notification | TBD |

## VIII. SPECIAL CONDITIONS / ATTACHMENTS

The following documents are included on the CD to provide background:

- 2016 Cost-of-Service Study
- 2017 Rate & Connection Fee Study Report
- Maps of District Service Area
- 2021 Master Plan
- M. Cubed Water & Sewer Service Affordability Assessment – SLVWD information begins on page 34

## IX. SUBMITTAL REQUIREMENTS

1. Respondents are encouraged to consider the environment and use electronic means for delivering proposals. Electronic submissions should be delivered in a format fully compatible with either Adobe Acrobat (pdf) or Microsoft Word. Please send via email to kreed@slvwd.com with the subject line "Request for Proposal for San Lorenzo Valley Water District – 2023 Rate Study"

2. OR, one (1) original proposal signed by an individual, partner, officer or officers authorized to execute legal documents on behalf of the Firm must be received in the District office noted below.

3. The Response Proposal must be received no later than **3:00 p.m.** local time, on or before **XX/XX/XXXX** via email to kreed@slvwd.com or at the office of:

**San Lorenzo Valley Water District**
**13060 Highway 9**
**Boulder Creek, CA 95006**

**Attn: Kendra Reed**

Failure to comply with the requirements of this RFP may result in disqualification. Questions regarding this RFP shall be submitted in writing to **kreed@slvwd.com**.

## Kendra Reed

**From:** Jeff Hill
**Sent:** Monday, November 7, 2022 4:16 PM
**To:** Rick Rogers; Kendra Reed
**Cc:** Gail Mahood
**Subject:** Pricing Study RFP Comments

**Follow Up Flag:** Follow up
**Flag Status:** Flagged

Hi Kendra,

At the last Finance Committee meeting Gail suggested that I put some detailed comments in writing and send them to you. I'm copying Gail and Rick also on these…and of course, I'm not the final, nor only authority on how this RFP is structured.

1. As discussed, we need to take a fundamental look at the impact of having a larger % of our billing be based upon a fixed (i.e., non-volumetric) charge based upon the connection type/size and a smaller % of the billing be based upon volumetric rates…compared to our current structure. Since our costs are skewed towards fixed infrastructure and staffing costs which are not sensitive to the volume of water sold within the mechanical constraints of our system, we need to protect ourselves from unexpected reductions of income from reduced sales of water volume. A reduction in volume sold has relatively little impact upon our costs, and the same is true for a volume increases that are within the overall existing capacity of the system.
    a. In looking at this, we need to be sensitive to low income customers who use very small amounts of water. I don't know how to accommodate these customers, but it needs to be thought out.
2. The document needs to be consistent on the number of zones/systems we have, and also clearly explain the terminology difference between "systems" as in, we have 3 systems (North, middle and south..etc.) vs. zones vs. pressure zones, etc. Maybe a paragraph focused entirely on terminology explanations should be included to be sure the bidders will understand our terminology.
3. It might actually be useful to include some demographic information about the district along with the description of geography, forests and streams. The pricing consultants should have some idea of the income profile of the district including how many people might find a higher base rate a true hardship, who can afford their water but have to watch the budget carefully and how many find the water bill relatively insignificant and don't pay much attention to the rates. If we go to a higher base fee, we will no doubt get complaints about people who are living on the edge financially and we should be getting our money from the rich who waste water. Knowing our demographic / income profile would help us plan accordingly, and also enable us to better respond to complaints about rate changes.
4. The RFP draft requests that the consultants provide us with a working financial model, preferably based upon Microsoft Excel, so that the district can perform additional future analyses. "Final report shall include an easy-to-use electronic rate model, preferably in Excel format. Consultant shall provide adequate training for said model."

    This gets us into the realm of software and intellectual property licensing, because the structure of a spreadsheet, particularly if it includes custom developed scripts and or embedded software programs and formulas, is intellectual property. You need to consult with Gina about this, but at a minimum we should insist upon:
    a. The district must own the intellectual rights to use, copy and modify the finished model and all components developed by the contractor, including installation and use on any number of District-

owned computers or cloud-based computing services utilized by the District, including contractors the District might employ in the future.

b. The vendor shall identify the minimum computer hardware and operating system specifications to operate the model. (Actually, the District should specify this to the contractor…we don't want the contractor to build a model that runs on computer systems the district doesn't use. If the District uses Microsoft Windows based systems, we don't want a model that runs only on Apple systems or Linux based systems.)
c. The model must be compatible with both local system computing, network use, and also compatible with "cloud-based" installation and computing. For example, given the correct password, the user should be able to access the model from any computer on the District's network, should be able to use either Excel (or other underlying base software) locally installed on a PC, or MS Office/Excel 365 or equivalent operating in a cloud environment, to facilitate remote work and secure storage of data in the cloud.
d. The District should be responsible for obtaining the necessary Microsoft licenses if Microsoft Excel is the underlying compute engine for the model. The vendor needs to Identify any other third-party software licenses beyond Microsoft Windows and Excel that the District will need to acquire to use and modify the model.
e. The District needs rights to have employees and/or future contractors review, revise, and use the model when performing work for the District.
f. The district needs to have detailed documentation of the model including a detailed description of the structure of the spreadsheet(s) involved, and computer languages and/or compilers (including version numbers) used to develop any scripts or embedded software code, and commented source code for any scripts or program code developed by the consultants and incorporated into the model.

5. Finally, how did we arrive at the intervals for when revenue vs. expenses are balanced…i.e., First Year, Fourth Year, Sixth Year and Eleventh Year? Is there any particular significance to these periods? I would think even interval might be easier for people to understand…3-6-9-12? Maybe there's a good reason for the 1-4-6-11 sequence?

Feel free to email me or call if you have any questions about these suggestions.

Jeff Hill, Director SLVWD

**Kendra Reed**

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**From:** Gina R. Nicholls <gnicholls@nossaman.com>
**Sent:** Friday, November 18, 2022 12:20 PM
**To:** Kendra Reed
**Cc:** Rick Rogers
**Subject:** RE: Pricing Study RFP Comments

Hi Kendra,

Copied directly below is the language from our standard form of professional services agreement that addresses IP/copyright issues.

**1. <u>WORKS FOR HIRE</u>**

If, in connection with services performed under this Agreement, Consultant or its subcontractors or subconsultants create artwork, copy, posters, billboards, photographs, videotapes, audiotapes, systems designs, software, reports, diagrams, surveys, blueprints, source codes or any other original works of authorship, such works of authorship shall be works for hire as defined under Title 17 of the United States Code, and all copyrights in such works are the property of District. If it is ever determined that any works created by Consultant or its subcontractors or subconsultants under this Agreement are not works for hire under U.S. law, Consultant hereby assigns all copyrights to such works to District, and agrees to provide any material and execute any documents necessary to effectuate such assignment. With the approval of District, Consultant may retain and use copies of such works for reference and as documentation of its experience and capabilities. This Section shall survive termination of this Agreement.

I believe that this standard language should satisfy several of Jeff's concerns, in particular (a) and (e). For (b)-(d) and (f), I believe these items could be addressed most appropriately in the scope of work. Please let me know if you need further information, and feel free to call me to discuss: 213-330-6499.

1. This gets us into the realm of software and intellectual property licensing, because the structure of a spreadsheet, particularly if it includes custom developed scripts and or embedded software programs and formulas, is intellectual property. You need to consult with Gina about this, but at a minimum we should insist upon:
    a. The district must own the intellectual rights to use, copy and modify the finished model and all components developed by the contractor, including installation and use on any number of District-owned computers or cloud-based computing services utilized by the District, including contractors the District might employ in the future.
    b. The vendor shall identify the minimum computer hardware and operating system specifications to operate the model. (Actually, the District should specify this to the contractor…we don't want the contractor to build a model that runs on computer systems the district doesn't use. If the District uses Microsoft Windows based systems, we don't want a model that runs only on Apple systems or Linux based systems.)
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**Gina R. Nicholls**
Attorney at Law
NOSSAMAN LLP
777 South Figueroa Street, 34th Floor
Los Angeles, CA 90017
gnicholls@nossaman.com
T 213.612.7800 F 213.612.7801
D 213.612.7815



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**From:** Kendra Reed <kreed@slvwd.com>
**Sent:** Friday, November 18, 2022 9:14 AM
**To:** Gina R. Nicholls <gnicholls@nossaman.com>
**Cc:** Rick Rogers <rrogers@slvwd.com>
**Subject:** [External] FW: Pricing Study RFP Comments

Hi Gina,

Can you please provide your advice on Jeff Hill's #4 item below? For reference, Jeff is referring to the draft RFP for the rate study, attached for your reference.

Thank you,

**Kendra Reed**
Director of Finance
San Lorenzo Valley Water District
13060 Highway 9 – Boulder Creek, CA 95006
831.338.2153 – Fax 831.338.7986
**kreed@slvwd.com - www.slvwd.com**

San Lorenzo Valley WATER DISTRICT

**From:** Jeff Hill <jhill@slvwd.com>
**Sent:** Monday, November 7, 2022 4:16 PM
**To:** Rick Rogers <rrogers@slvwd.com>; Kendra Reed <kreed@slvwd.com>
**Cc:** Gail Mahood <gmahood@slvwd.com>
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Hi Kendra,

At the last Finance Committee meeting Gail suggested that I put some detailed comments in writing and send them to you. I'm copying Gail and Rick also on these…and of course, I'm not the final, nor only authority on how this RFP is structured.

1. As discussed, we need to take a fundamental look at the impact of having a larger % of our billing be based upon a fixed (i.e., non-volumetric) charge based upon the connection type/size and a smaller % of the billing be based upon volumetric rates…compared to our current structure. Since our costs are skewed towards fixed infrastructure and staffing costs which are not sensitive to the volume of water sold within the mechanical constraints of our system, we need to protect ourselves from unexpected reductions of income from reduced sales of water volume. A reduction in volume sold has relatively little impact upon our costs, and the same is true for a volume increases that are within the overall existing capacity of the system.
    a. In looking at this, we need to be sensitive to low income customers who use very small amounts of water. I don't know how to accommodate these customers, but it needs to be thought out.
2. The document needs to be consistent on the number of zones/systems we have, and also clearly explain the terminology difference between "systems" as in, we have 3 systems (North, middle and south..etc.) vs. zones vs. pressure zones, etc. Maybe a paragraph focused entirely on terminology explanations should be included to be sure the bidders will understand our terminology.
3. It might actually be useful to include some demographic information about the district along with the description of geography, forests and streams. The pricing consultants should have some idea of the income profile of the district including how many people might find a higher base rate a true hardship, who can afford their water but have to watch the budget carefully and how many find the water bill relatively insignificant and don't pay much attention to the rates. If we go to a higher base fee, we will no doubt get complaints about people who are living on the edge financially and we should be getting our money from the rich who waste water. Knowing our demographic / income profile would help us plan accordingly, and also enable us to better respond to complaints about rate changes.
4. The RFP draft requests that the consultants provide us with a working financial model, preferably based upon Microsoft Excel, so that the district can perform additional future analyses. "Final report shall include an easy-to-use electronic rate model, preferably in Excel format. Consultant shall provide adequate training for said model."

    This gets us into the realm of software and intellectual property licensing, because the structure of a spreadsheet, particularly if it includes custom developed scripts and or embedded software programs and formulas, is intellectual property. You need to consult with Gina about this, but at a minimum we should insist upon:
    a. The district must own the intellectual rights to use, copy and modify the finished model and all components developed by the contractor, including installation and use on any number of District-

owned computers or cloud-based computing services utilized by the District, including contractors the District might employ in the future.

b. The vendor shall identify the minimum computer hardware and operating system specifications to operate the model. (Actually, the District should specify this to the contractor…we don't want the contractor to build a model that runs on computer systems the district doesn't use. If the District uses Microsoft Windows based systems, we don't want a model that runs only on Apple systems or Linux based systems.)

c. The model must be compatible with both local system computing, network use, and also compatible with "cloud-based" installation and computing. For example, given the correct password, the user should be able to access the model from any computer on the District's network, should be able to use either Excel (or other underlying base software) locally installed on a PC, or MS Office/Excel 365 or equivalent operating in a cloud environment, to facilitate remote work and secure storage of data in the cloud.

d. The District should be responsible for obtaining the necessary Microsoft licenses if Microsoft Excel is the underlying compute engine for the model. The vendor needs to Identify any other third-party software licenses beyond Microsoft Windows and Excel that the District will need to acquire to use and modify the model.

e. The District needs rights to have employees and/or future contractors review, revise, and use the model when performing work for the District.

f. The district needs to have detailed documentation of the model including a detailed description of the structure of the spreadsheet(s) involved, and computer languages and/or compilers (including version numbers) used to develop any scripts or embedded software code, and commented source code for any scripts or program code developed by the consultants and incorporated into the model.

5. Finally, how did we arrive at the intervals for when revenue vs. expenses are balanced…i.e., First Year, Fourth Year, Sixth Year and Eleventh Year? Is there any particular significance to these periods? I would think even interval might be easier for people to understand…3-6-9-12? Maybe there's a good reason for the 1-4-6-11 sequence?

Feel free to email me or call if you have any questions about these suggestions.

Jeff Hill, Director SLVWD

# M E M O

TO: Budget & Finance Committee

FROM: Director of Finance & Business Services

SUBJECT: Draft ANNUAL FINANCIAL REPORT FY2021-22 (ACFR)

DATE: December 6, 2022

**RECOMMENDATION:**

It is recommended that the Budget & Finance Committee review this memo and the attached Annual Comprehensive Financial Report (ACFR) for fiscal year 2021-22.

**BACKGROUND:**

District staff, with the assistance of our auditors, prepared an ACFR in accordance with guidelines established by the Government Finance Officers Association (GFOA).

The District is required by state law to annually examine its financial records. The firm has conducted an independent audit of the District's financial records for the respective fiscal years. This examination of the District's financial records was conducted in accordance with generally accepted accounting standards and principles. As in previous years, the District received an "unmodified opinion," meaning the financial statements present fairly, in all material respects, the financial position of the District as of June 30, 2022. The Financial Statements are transmitted under separate cover.

The ACFR furnishes information concerning the District's financial position and activities for the one (1) year period from July 1, 2021 – June 30, 2022 for all funds:

- Net position increased 7.51% or $2,828,846 to $40,475,164. Net position is made up of three components: net investment in capital assets, restricted net position and unrestricted net position.

  o Net investment in capital (net of related debt) increased 2.4% or $826,337. There was depreciation expense of $1,838,242 compared to the investment in current year capital of $2,837,366, with ~$1.6M funded by debt.

  o Restricted net position increased $724,222 to $1,350,297. Restricted is for contractual restricted amounts such as required by debt covenants and assessment districts.

  o Unrestricted net position increased $1,278,287, leaving a positive balance of $4,426,902.

  The Water Fund has a positive unrestricted balance of $4,462,864, Sewer Fund has a deficit of $35,962.

• Operating revenues increased 6.71% or $769,442 to $12.2M, primarily due to increased water sales revenues related to the 2017 rate study.

• Operating expenses decreased 10.76% or $1,042,989 to $8.6M, primarily due to decreases of $728,424 in salaries & benefits, $241,103 in professional services, and $55,897 in facilities. The decrease in salaries included non-cash transactions of $179,771 related to the pension and OPEB expenses.

- Non-operating revenues decreased $147,230 to $1,581,076. This is attributed to a decrease in operating grant of $183K, offset by an increase in property tax of $48K.
- Non-operating expenses increased $90,206 to $1,072,056. This was mainly due to interest expense payments and loss on disposal of capital assets, offset by decreases in change in investment in JPA and bond issuance costs.
- Net income before capital contributions increased $1.2M to $2.4M. The decrease to operating expenses was a contributing factor to the increase.
- Overall net position for the end of period increased $2.8M. This is a positive direction for the District.

It is important to understand the differences between external and internal financial reports and analysis. Audited financial statements, unlike budgets, have been examined, or "audited," by an external, independent certified public accountant. Extensive tests are performed on account details and balances that are represented on a company's financial statements to ensure their accuracy and reliability, while budgets are reviewed internally by upper management to ensure company goals and targets are reasonable and achievable, and its resources are being allocated in a way that maximizes revenue.

This will also be brought to the full Board at the December 15th, 2022 Board meeting. A representative from the audit firm will be present to address the Board regarding this matter.

# San Lorenzo Valley Water District

# Annual Comprehensive Financial Report

# For the Fiscal Year June 30, 2022 and 2021

**Boulder Creek, California**

## Our Mission

Our mission is to provide our customers and all future generations with reliable, safe, and high quality water at an equitable price; to create and maintain outstanding customer service; to manage and protect the environmental health of the aquifers and watersheds; and to ensure the fiscal vitality of the San Lorenzo Valley Water District.



**San Lorenzo Valley Water District**

**Board of Directors as of June 30, 2022**

| Name | Title | Elected/ Appointed | Term Expires |
|---|---|---|---|
| Gail Mahood | President | Elected | December 2024 |
| Jayme Ackemann | Vice President | Appointed | December 2024 |
| Bob Fultz | Director | Elected | December 2022 |
| Jeff Hill | Director | Appointed | December 2022 |
| Mark Smolley | Director | Appointed | December 2022 |

**Rick Rogers, District Manager**
**San Lorenzo Valley Water District**
**13060 Highway 9**
**Boulder Creek, California 95006**
**(831) 338-2153 – www.slvwd.com**

# San Lorenzo Valley Water District

## Annual Comprehensive Financial Report

## For the Fiscal Years Ended June 30, 2022 and 2021



**Prepared by:**

***Kendra Reed, Accountant***

# San Lorenzo Valley Water District
## Annual Comprehensive Financial Report
## For the Fiscal Years Ended June 30, 2022 and 2021

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**San Lorenzo Valley Water District**
**Annual Comprehensive Financial Report**
**For the Fiscal Years Ended June 30, 2022 and 2021**

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San Lorenzo Valley
WATER DISTRICT

# Introductory Section

San Lorenzo Valley WATER DISTRICT

December 15, 2022

Board of Directors
San Lorenzo Valley Water District

**Introduction**

It is our pleasure to submit the Comprehensive Annual Financial Report for the San Lorenzo Valley Water District for the fiscal years ended June 30, 2022 and 2021, following guidelines set forth by the Governmental Accounting Standards Board (GASB). The purpose of this comprehensive report is to provide the Board of Directors, the public and other interested parties with reliable financial information about the District. This report conforms to the reporting and accounting standards of GASB and the Financial Accounting Standards Board (FASB).

Management assumes full responsibility for the completeness and reliability of the information contained in this report, including all disclosures, based upon a framework of internal controls that was established for this purpose. The District maintains an internal control structure designed to ensure that the assets of the District are protected from loss, theft, or misuse and to ensure adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal control should not exceed the anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

District policy requires that an independent certified public accounting firm, selected by the Board, audit the basic financial statements on an annual basis to ensure they are free of material misstatement. Fedak & Brown LLP has issued an unmodified (or clean) opinion on the District's basic financial statements for the fiscal years ended June 30, 2022 and 2021. The Independent Auditor's Report is presented as the first component of the financial section of this report.

GAAP requires that management provide an overview, summary and analysis to accompany the basic financial statements. Management's Discussion and Analysis (MD&A) immediately follows the Independent Auditor's Report in the financial section. This letter of transmittal is designed to complement the analysis contained in the MD&A and should be read in conjunction with the financial section of this report.

**District History and Leadership**

The San Lorenzo Valley Water District is an independent special district, which operates under the authority of Division 12 of the California Water Code. The San Lorenzo Valley Water District has been providing services to the residents within the District's boundaries since 1941. The District is governed by a five-member Board of Directors, elected at-large from within the District's service area. The District Manager administers the day-to-day operations of the District in accordance with policies and procedures established by the Board of Directors. The San Lorenzo Valley Water District employs a full-time staff of 36 employees. The District's Board of Directors meets regularly, meetings are publicly noticed and citizens are encouraged to attend.

**District History and Leadership, continued**

The District owns, operates, and maintains two water systems that supply separate service areas from separate water sources. The SLVWD System Service Area includes the unincorporated communities of Boulder Creek, Brookdale, Ben Lomond, Zayante, Lompico, and portions of the City of Scotts Valley and adjacent unincorporated neighborhoods. The SLVWD-Felton System Service Area was acquired by the District from California American Water in September 2008 and includes the town of Felton and adjacent unincorporated areas.

The District owns, operates, and maintains a wastewater system in Boulder Creek's Bear Creek Estates, which serves approximately 56 homes.

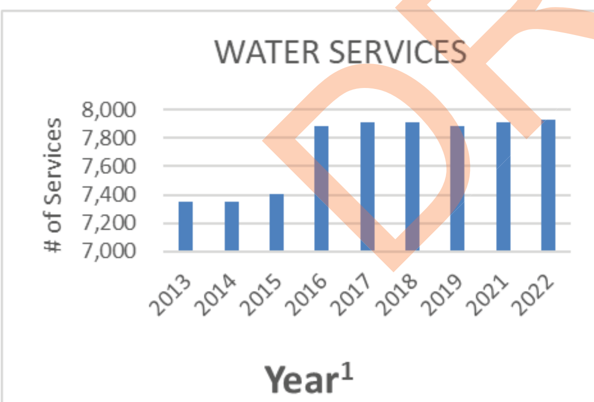
The District's boundaries comprise approximately 62 square miles. There are 190 miles of pipeline, 36 tank sites and 36 booster pump stations serving 37 pressure zones. The District currently provides service to approximately 7,900 residential, commercial, and institutional connections. The District relies on both surface water and groundwater resources, including nine currently active stream diversions, one groundwater spring, and seven active groundwater wells. These sources are derived solely from rainfall within the San Lorenzo River watershed.

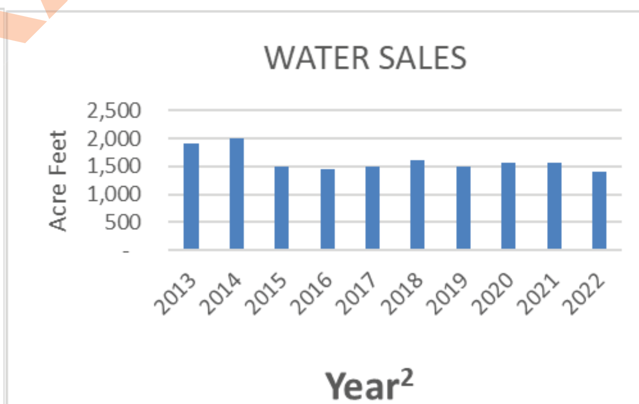
**Economic Condition and Outlook**

The District's administrative offices are located in the Town of Boulder Creek in Santa Cruz County. The economic outlook for the area is one of cautious growth as the regional economy recovers from prolonged recessionary pressures and drought conditions.

Over the years, the District's service area has changed from rural and vacation cabins to a more urbanized, year-round water-use area. Over 95% of the District's service connections are residential. With forecasted population growth to be minimal and customer drought conservation efforts that have now become routine, the financial impact on recent years is more extreme. In January 2016, a drought recovery fee was implemented for the drought caused revenue shortfall. In 2017, a rate study and 5-year rate increase was implemented, included was eliminating the drought recovery fee.





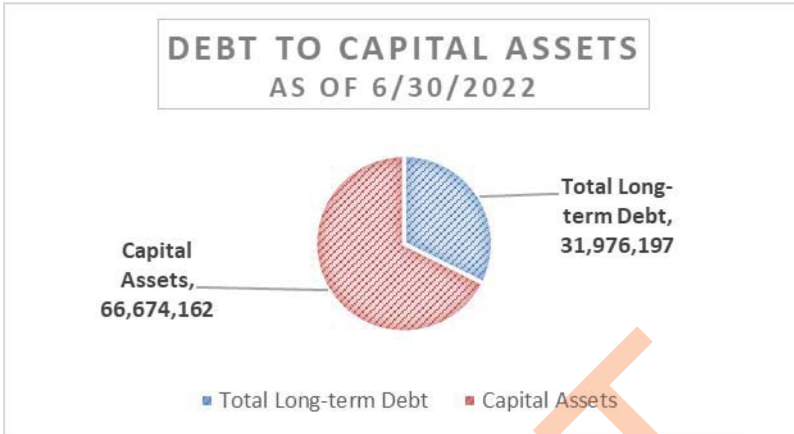




[1] In 2016 approximately 500 new services came on as part of the Lompico County Water District merger.

[2] In 2014, a State of emergency drought declared, created mandated water restrictions.

**Debt Administration**

The District has bonded indebtedness and additional obligations under multiple agreements. Additional information regarding these can be found in the District's audited financial statements and accompanying notes. Please note this includes the full COP balance to be spent on capital in the future.




**Major Initiatives**

The activities of the Board and staff of the District are driven by its Mission Statement: "Our mission is to provide our customers and all future generations with reliable, safe and high quality water at an equitable price; to create and maintain outstanding customer service; to manage and protect the environmental health of the aquifers and watersheds; and, to ensure the fiscal vitality of the San Lorenzo Valley Water District."

1. To supply clean, wholesome water to the community and provide water for the future.
2. To plan, construct, operate, maintain and upgrade the water system facilities to adequately serve customer needs.
3. To utilize the District's financial resources in an effective, responsible, and prudent manner.
4. To provide quality customer service for District customers.
5. To inform, educate, and communicate to the community on District and water issues.
6. To review and maintain a plan to be proactive in preventative maintenance of the District's water and sewer systems.

Capital Improvement Projects (CIP) continue to be a major initiative. The District pursued and received a $15M loan to fund various CZU projects and upcoming capital projects. The intended use of these proceeds are to fund several major capital projects. Funding for the CZU projects will be used to repair the District's critical infrastructure that was damaged during the CZU Lightening Complex Fire. The main line replacements/upgrades will correct many low water pressure areas, removing restrictions and greatly improving water flow to Boulder Creek, Ben Lomond, Lompico, Zayante, and Scotts Valley.

All programs and operations of the District are developed and performed to provide the highest level of services to its customers.

The District continues with impacts from Pacific Gas & Electric, Public Safety Power Shutdowns that resulted in generator purchases and additional staff overtime. During these outages 100% of District Facilities were without power, requiring emergency generators being installed.

**Major Initiatives, continued**

On August 16, 2020 the District facilities were heavily impacted by the CZU lighting fire destroying the Districts raw water collection system, several transmission water mains and storage tanks, estimated damages at $20M. The District has been working with FEMA submitting for grant recovery.

[1] Capital assets are at original purchase price and not replacement cost.

**Internal Control Structure**

District management is responsible for the establishment and maintenance of the internal control structure that ensures the assets of the District are protected from loss, theft or misuse. The internal control structure also ensures that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The District's internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

**Accounting and Budgetary Structure**

The District operates with a fiscal year that begins July 1 and ends on June 30. GAAP requires the use of accrual accounting. The budget is based on the same accrual approach as the District's audited financial statements with some minor differences. Revenues are recognized on the financial statements in the accounting period in which they are earned and expenses are recognized when incurred, even though they may not have been received or paid in cash.

The District Board of Directors annually adopts an operating and capital budget prior to the new fiscal year. The budget authorizes and provides the basis for reporting and control of financial operations and accountability for the District's enterprise operations and capital projects. The budget may only be amended during the course of the fiscal year by Board action. The Board considers the requests of staff at regularly scheduled meetings and approves or rejects the requests by motion and majority vote. In years where revenue falls significantly short of budget expectations, comprehensive mid-year revisions to the budget may be brought to the Board for approval.

**Investment Policy**

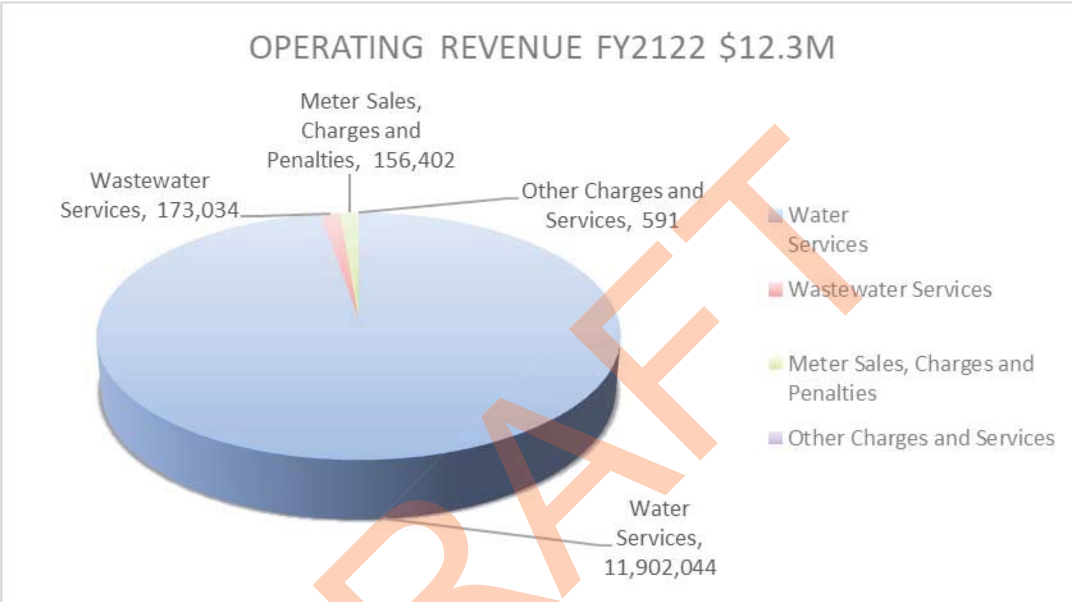
The Board of Directors has adopted an investment policy that conforms to state law, District policies and procedures, prudent money management, and the "prudent person" standards. The objectives of the Investment Policy are safety, liquidity and yield.

**Water and Sewer Rates and District Revenues**

District policy ensures that all revenues from user charges and surcharges generated from District customers must support all District operations, including capital project funding. Accordingly, water and sewer rates are reviewed periodically. Water rates are user charges imposed on customers for services and are the primary component of the District's revenue. Water rates are composed of a commodity (usage) charge and a fixed (readiness-to-serve) charge.

**Water and Sewer Rates and District Revenues, continued**

Over the last few years, District customers have decreased their water use significantly in response to state-wide drought mandates and District conservation programs. In 2017, the rate study resulted in a 5-year rate increase, with a shift to be more consumption based. Also implemented was a revenue stabilization rate policy, to account for more immediate actions if a major consumption gap occurred again. The 5-year rate increase and revenue stabilization rate policy have proven instrumental in being able to attract more financing options for the District. Most water agencies have high fixed costs, which causes financial problems given the revenue is directly related to consumption. Having triggers in place, as outlined in the revenue stabilization rate policy, helps secure the financial vitality of the District if events lead to significant consumption changes.




**Water Conservation**

While the 2014 State of emergency drought was lifted in 2017, there are Senate Bill 606 and Assembly Bill 1668 that were signed into legislation. This legislation created water use efficiency standards and authorized the State Water Board to require monthly water production, water use, or water conservation reports on a non-emergency basis. For indoor residential water use, 55 gallons per capita daily water use is required as a provisional standard. The District customers have been lower than the required 55 gallons per capita daily use. The District appreciates our customer's conservation efforts.

**Water Conservation Rebate Programs**

The District has implemented conservation management practices. District staff participates in community events and distributes materials to encourage water conservation. The District offers the following conservation programs:

- High efficiency clothes washer credit
- High efficiency toilet credit (*reinstated FY1617 when the State of CA inactivated their program)*
- Turf replacement credit *(suspended FY1516 while State of CA had an active program)*
- Weather based irrigation controller credit
- Grey water irrigation system

**Audit and Financial Reporting**

State Law and bond covenants require the District to obtain an annual audit of its financial statements by an independent certified public accountant. The accounting firm of Fedak & Brown LLP has conducted the audit of the District's financial statements. Their unmodified Independent Auditor's Report appears in the Financial Section.

**Risk Management**

The District is a member of the Special District Risk Management Authority (SDRMA). The purpose of SDRMA is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage. The District is also a member of California Special District Association (CSDA). Board members and District staff can attend conferences and seminars that specify in risk management and other areas.

**Awards and Acknowledgments**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting, to the San Lorenzo Valley Water District for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2020. The District has been awarded each year since its first submittal for fiscal year ended June 30, 2016. In order to be awarded a Certificate of Achievement for Excellence in Financial Reporting, a government unit must publish an easily readable and efficiently organized CAFR. This report must satisfy both Generally Accepted Accounting Principles (GAAP) and all applicable legal requirements.

A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. We believe that our current CAFR continues to meet the requirements of the GFOA Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

**Other References**

More information is contained in the Management's Discussion and Analysis and the Notes to the Basic Financial Statements found in the Financial Section of the report.

**Acknowledgements**

Preparation of this report was accomplished by the combined efforts of District staff. We appreciate the dedicated efforts and professionalism that these staff members contribute to the District. We would also like to thank the members of the Board of Directors and especially the Finance Committee members for their continued support in planning and implementation of the San Lorenzo Valley Water District's fiscal policies.



Respectfully,

Rick Rogers
District Manager

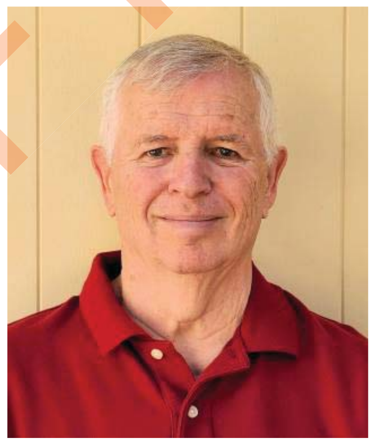
# Board of Directors

A five member Board of Directors are elected by the San Lorenzo Valley area to set policy and govern the District. Currently the Board of Directors are:

**Gail Mahood**
**(President)**

**Jayme Ackemann**
**(Vice President)**

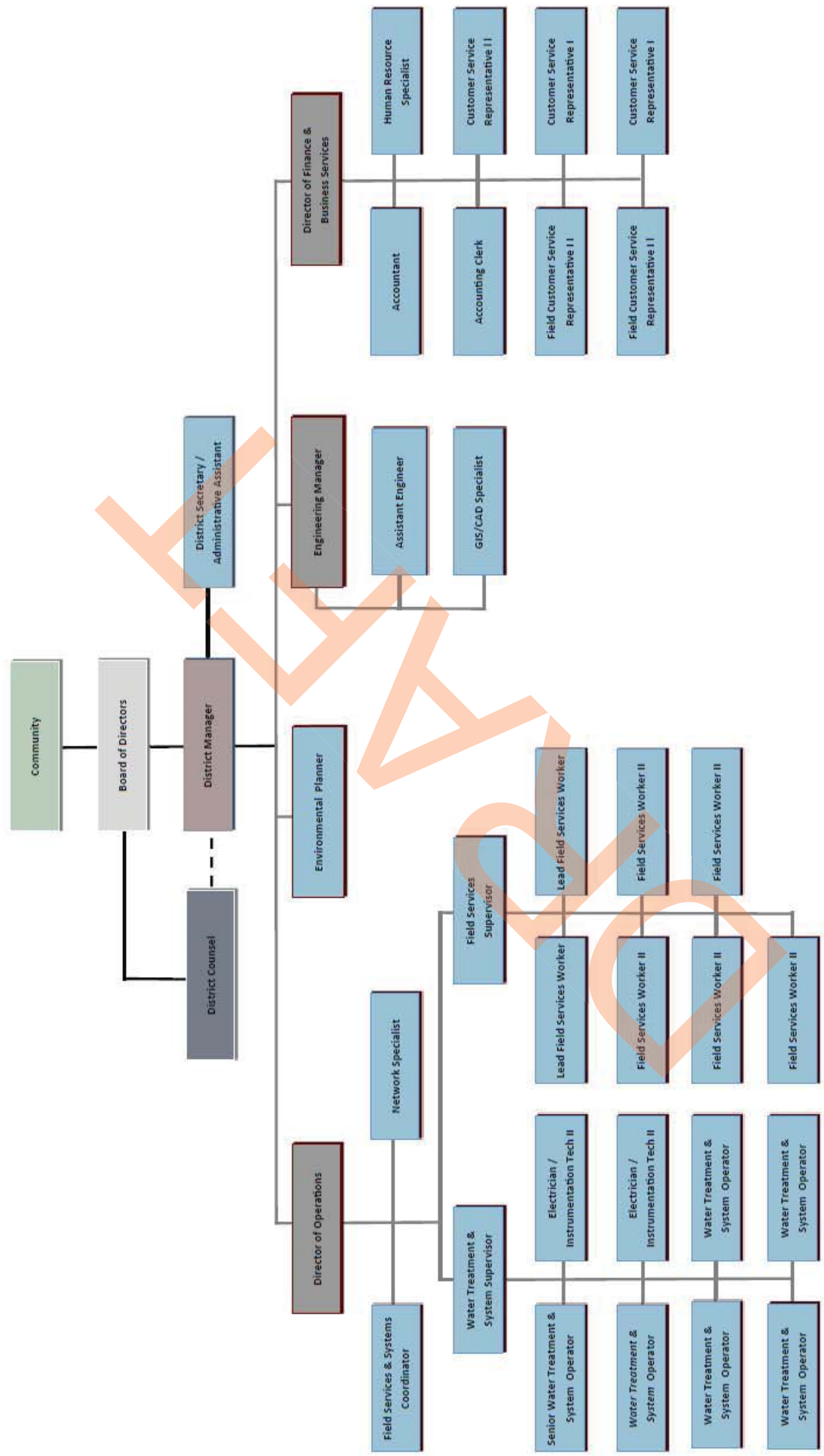
**Mark Smolley**
**(Director)**



**Jeff Hill**
**(Director)**

**Bob Fultz**
**(Director)**

# San Lorenzo Valley Water District Organizational Chart

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# Financial Section

## Independent Auditor's Report

Board of Directors
San Lorenzo Valley Water District
Boulder Creek, California

***Opinion***

We have audited the financial statements of the business-type activities of the San Lorenzo Valley Water District (District), as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities of the District, as of June 30, 2022 and 2021, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Responsibilities of Management for the Financial Statements***

The District's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## Independent Auditor's Report, continued

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing audits in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control–related matters that we identified during the audits.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 12 through 18 and the required supplementary information on pages 60 through 63 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## Independent Auditor's Report, continued

### *Supplementary Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The Combining Schedules of Net Position and the Combining Schedules of Revenues, Expenses, and Changes in Net Position (Combining Schedules) on pages 64 and 65, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining Schedules are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining Schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### *Other Information Included in the Annual Report*

Management is responsible for the other information included in the annual report. The other information comprises the introductory section on pages 1 through 8, statistical section on pages 67 through 81, and acronyms and glossary of terms on pages 84 through 88 but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audits of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

**Fedak & Brown LLP**
Cypress, California
December 15, 2022

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# San Lorenzo Valley Water District
***Management's Discussion and Analysis***
**For the Fiscal Years Ended June 30, 2022 and 2021**

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the San Lorenzo Valley Water District (District) provides an introduction to the financial statements of the District for the fiscal years ended June 30, 2022 and 2021. We encourage readers to consider the information presented here in conjunction with the transmittal letter in the Introductory Section and with the basic financial statements and related notes, which follow this section.

## Financial Highlights

- The District's net position increased 7.51% or $2,828,846 to $40,475,164. In 2021, the District's net position increased 12.55% or $4,197,380 to $37,646,318.
- The District's operating revenues increased 6.71% or $769,442 to $12,232,071. In 2021, the District's operating revenues increased 2.93% or $326,725 to $11,462,629.
- The District's non-operating revenues decreased 8.52% or $147,230 to $1,581,076. In 2021, the District's non-operating revenues increased 11.79% or $182,264 to $1,728,306.
- The District's operating expenses decreased 10.76% or $1,042,989 to $8,651,428. In fiscal year 2021, the District's operating expenses increased 22.33% or $1,769,863 to $9,694,417.
- The District's non-operating expenses increased 9.19% or $90,206 to $1,072,056. In 2021, the District's non-operating expenses decreased 20.16% or $247,848 to $981,850.

## Required Financial Statements

This annual report consists of a series of financial statements. The Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies.

The District's statements consist of two funds, the Water Fund and the Sewer Fund. The District's records are maintained on an enterprise basis, as it is the intent of the Board of Directors that the costs of providing water and sewer services to the District's customers are financed primarily through user charges.

The Statement of Net Position includes all of the District's investments in resources (assets), deferred outflows of resources, the obligations to creditors (liabilities), and deferred inflows of resources. It also provides the basis for computing a rate of return, evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of the District's operations over the past year and can be used to determine if the District has successfully recovered all of its costs through its rates and other charges. This statement can also be used to evaluate profitability and credit worthiness. The final required financial statement is the Statement of Cash Flows, which provides information about the District's cash receipts and cash payments during the reporting period. The Statement of Cash Flows reports cash receipts, cash payments, and net change in cash resulting from operations, investing, non-capital financing, and capital and related financing activities, as well as providing answers to such questions as, where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

**San Lorenzo Valley Water District**
***Management's Discussion and Analysis, continued***
**For the Fiscal Years Ended June 30, 2022 and 2021**

## Financial Analysis of the District

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the District in a way that helps answer this question.

These statements include all assets, deferred outflows, liabilities, and deferred inflows using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the District's *net position* and changes in it. One can think of the District's net position – the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources – as one way to measure the District's financial health or *financial position*. Over time, *increases or decreases* in the District's net position is one indicator of whether its *financial health* is improving or deteriorating. However, one will need to consider other non-financial factors such as change in economic conditions, population growth, zoning, and new or changed government legislation, such as change in Federal and State water quality standards.

## Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 24 through 59.

## Statement of Net Position

Below is a summary of the statements of net position.

**Condensed Statements of Net Position**

| | 2022 | 2021 | Change | 2020 | Change |
|---|---|---|---|---|---|
| **Assets:** | | | | | |
| Current assets | $ 34,714,752 | 34,502,435 | 212,317 | 21,801,497 | 12,700,938 |
| Non-current assets | 76,962 | 52,189 | 24,773 | 21,681 | 30,508 |
| Capital assets, net | 45,297,765 | 44,402,883 | 894,882 | 38,568,902 | 5,833,981 |
| **Total assets** | 80,089,479 | 78,957,507 | 1,131,972 | 60,392,080 | 18,565,427 |
| **Deferred outflows of resources** | 1,564,198 | 1,707,047 | (142,849) | 1,675,805 | 31,242 |
| **Liabilities:** | | | | | |
| Current liabilities | 2,797,092 | 3,006,259 | (209,167) | 2,714,300 | 291,959 |
| Non-current liabilities | 35,731,745 | 39,944,659 | (4,212,914) | 25,726,813 | 14,217,846 |
| **Total liabilities** | 38,528,837 | 42,950,918 | (4,422,081) | 28,441,113 | 14,509,805 |
| **Deferred inflows of resources** | 2,649,676 | 67,318 | 2,582,358 | 177,834 | (110,516) |
| **Net position:** | | | | | |
| Net investment in capital assets | 34,697,965 | 33,871,628 | 826,337 | 31,913,552 | 1,958,076 |
| Restricted | 1,350,297 | 626,075 | 724,222 | 667,387 | (41,312) |
| Unrestricted (deficit) | 4,426,902 | 3,148,615 | 1,278,287 | 867,999 | 2,280,616 |
| **Total net position** | $ 40,475,164 | 37,646,318 | 2,828,846 | 33,448,938 | 4,197,380 |

## Statement of Net Position, continued

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $40,475,164 and $37,646,318 as of June 30, 2022 and 2021, respectively.

The District's net position increased 7.51% or $2,828,846. In fiscal year 2021, the District's net position increased 12.55% or $4,197,380. The District's total net position is made up of three components: (1) net investment in capital assets; (2) restricted; and (3) unrestricted.

At the end of fiscal year 2022 and 2021, the District showed an unrestricted net position of $4,426,902 and $3,148,615, respectively. See Note 9 for the further information.

By far the largest portion of the District's net position (85.73% and 89.97% as of June 30, 2022 and 2021, respectively) reflects the District's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are *not* available for future spending. See Note 9 for further information.

## Statement of Revenues, Expenses, and Changes in Net Position

Below is a summary of the statements of changes in revenues, expenses, and changes in net position.

**Condensed Statements of Revenues, Expenses, and Changes in Net Position**

| | 2022 | 2021 | Change | 2020 | Change |
|---|---|---|---|---|---|
| **Revenues:** | | | | | |
| Operating revenues | $ 12,232,071 | 11,462,629 | 769,442 | 11,135,904 | 326,725 |
| Non-operating revenues | 1,581,076 | 1,728,306 | (147,230) | 1,546,042 | 182,264 |
| **Total revenues** | 13,813,147 | 13,190,935 | 622,212 | 12,681,946 | 508,989 |
| **Expenses:** | | | | | |
| Operating expenses | 8,651,428 | 9,694,417 | (1,042,989) | 7,924,554 | 1,769,863 |
| Non-operating expenses | 1,072,056 | 981,850 | 90,206 | 1,229,698 | (247,848) |
| Overhead absorption | (180,218) | (379,539) | 199,321 | (231,862) | (147,677) |
| Depreciation | 1,838,242 | 1,728,054 | 110,188 | 1,582,370 | 145,684 |
| **Total expenses** | 11,381,508 | 12,024,782 | (643,274) | 10,504,760 | 1,520,022 |
| **Net income before capital contributions** | 2,431,639 | 1,166,153 | 1,265,486 | 2,177,186 | (1,011,033) |
| **Capital contributions** | 397,207 | 3,031,227 | (2,634,020) | 44,240 | 2,986,987 |
| **Changes in net position** | 2,828,846 | 4,197,380 | (1,368,534) | 2,221,426 | 1,975,954 |
| **Net position, beginning of year** | 37,646,318 | 33,448,938 | 4,197,380 | 31,227,512 | 2,221,426 |
| **Net position, end of year** | $ 40,475,164 | 37,646,318 | 2,828,846 | 33,448,938 | 4,197,380 |

A closer examination of the sources of changes in net position reveals that:

The District's net position increased 7.51% or $2,828,846 to $40,475,164, due primarily to ongoing operations.

In fiscal year 2021, the District's net position increased 12.55% or $4,197,380 to $37,646,318, due primarily to ongoing operations.

**San Lorenzo Valley Water District**
***Management's Discussion and Analysis, continued***
**For the Fiscal Years Ended June 30, 2022 and 2021**

## Statement of Revenues, Expenses, and Changes in Net Position, continued

### *Total Revenues*

| | 2022 | 2021 | Change | 2020 | Change |
|---|---|---|---|---|---|
| **Operating revenues:** | | | | | |
| Water consumption sales | $ 11,902,044 | 11,139,017 | 763,027 | 10,865,193 | 273,824 |
| Wastewater service | 173,034 | 161,007 | 12,027 | 134,148 | 26,859 |
| Meter sales, charges, and penalties | 156,402 | 157,486 | (1,084) | 135,129 | 22,357 |
| Other charges and services | 591 | 5,119 | (4,528) | 1,434 | 3,685 |
| **Total operating revenues** | 12,232,071 | 11,462,629 | 769,442 | 11,135,904 | 326,725 |
| **Non-operating revenues:** | | | | | |
| Property tax | 896,170 | 847,676 | 48,494 | 813,051 | 34,625 |
| Assessment revenues | 343,333 | 343,086 | 247 | 349,254 | (6,168) |
| Investment return | 126,229 | 131,657 | (5,428) | 333,478 | (201,821) |
| Operating grant | 151,076 | 334,681 | (183,605) | - | 334,681 |
| Rental revenue | 54,840 | 50,558 | 4,282 | 44,047 | 6,511 |
| Gain on disposal of capital assets | - | 13,706 | (13,706) | 1,786 | 11,920 |
| Settlement and purchase agreements | 9,428 | 6,942 | 2,486 | 4,426 | 2,516 |
| **Total non-operating revenues** | 1,581,076 | 1,728,306 | (147,230) | 1,546,042 | 182,264 |
| **Capital contributions:** | | | | | |
| Capital grants - other governments | 397,207 | 3,031,227 | (2,634,020) | 44,240 | 2,986,987 |
| **Total revenues** | $ 14,210,354 | 16,222,162 | (2,011,808) | 12,726,186 | 3,495,976 |

The District's total revenues decreased $2,011,808. Operating revenues increased $769,442, primarily due to an increase in water consumption sales of $763,027. Non-operating revenues decreased $147,230, primarily due to a decrease of $183,605 in operating grant; which was offset by an increase of $48,494 in property tax. Capital contributions decreased $2,634,020.

In fiscal year 2021, the District's total revenues increased $3,495,976. Operating revenues increased $326,725, primarily due to an increase in water consumption sales of $273,824. Non-operating revenues increased $182,264, primarily due to increases of $334,681 in operating grants and $34,625 in property taxes; which were offset by a decrease of $201,821 in investment return. Capital contributions increased $2,986,987.

**San Lorenzo Valley Water District**
***Management's Discussion and Analysis, continued***
**For the Fiscal Years Ended June 30, 2022 and 2021**

## Statement of Revenues, Expenses, and Changes in Net Position, continued

### *Total Expenses*

| | 2022 | 2021 | Change | 2020 | Change |
|---|---|---|---|---|---|
| **Operating expenses including depreciation expense:** | | | | | |
| Salaries and benefits | $ 5,308,006 | 6,036,430 | (728,424) | 5,594,324 | 442,106 |
| Professional services | 1,582,052 | 1,823,155 | (241,103) | 777,556 | 1,045,599 |
| Operational | 478,768 | 509,163 | (30,395) | 415,672 | 93,491 |
| Maintenance | 203,623 | 200,846 | 2,777 | 200,153 | 693 |
| Facilities | 642,332 | 698,229 | (55,897) | 569,129 | 129,100 |
| General and administrative | 436,647 | 426,594 | 10,053 | 367,720 | 58,874 |
| Depreciation | 1,838,242 | 1,728,054 | 110,188 | 1,582,370 | 145,684 |
| **Total operating expenses including depreciation expense** | 10,489,670 | 11,422,471 | (932,801) | 9,506,924 | 1,915,547 |
| **Non-operating expenses:** | | | | | |
| Realized loss on investments | - | - | - | - | - |
| Interest expense | 952,956 | 772,887 | 180,069 | 638,604 | 134,283 |
| Change in investment in JPA | 17,227 | 153,963 | (136,736) | 178,740 | (24,777) |
| Bond issuance cost | - | 55,000 | (55,000) | 412,354 | (357,354) |
| Loss on disposition of capital assets | 101,873 | - | 101,873 | | - |
| **Total non-operating expenses** | 1,072,056 | 981,850 | 90,206 | 1,229,698 | (247,848) |
| **Total expenses** | $ 11,561,726 | 12,404,321 | (842,595) | 10,736,622 | 1,667,699 |

The District's total expenses decreased $842,595. The District's operating expenses decreased $932,801 primarily due to decreases of $728,424 in salaries and benefits, $241,103 in professional services, and $55,897 in facilities; which were offset by an increase of $110,188 in depreciation. The decrease in salaries and benefits include non-cash transactions of $179,771 related to OPEB and pension. The District's non-operating expenses increased $90,206 primarily due to increases of $180,069 in interest expense and $101,873 in loss on disposal of capital assets; which were offset by decreases of $136,736 in change in investment in JPA and $55,000 in bond issuance cost.

In fiscal year 2021, the District's total expenses increased $1,667,699. The District's operating expenses increased $1,915,547 primarily due to increases of $1,045,599 in professional services, $442,106 in salaries and benefits, $145,684 in depreciation, $129,100 in facilities, and $93,491 in operational. The increase in salaries and benefits include non-cash transactions of $368,391 related to OPEB and pension. The District's non-operating expenses decreased $247,848 primarily due to a decrease of $357,354 in bond issuance cost; which was offset by an increase of $134,283 in interest expense.

## Capital Asset Administration

The change in capital assets for 2022, was as follows:

| | Balance 2021 | Additions | Transfers/ Disposals | Balance 2022 |
|---|---|---|---|---|
| Capital assets: | | | | |
| Non-depreciable assets | $ 12,361,800 | 2,837,366 | (4,627,049) | 10,572,117 |
| Depreciable assets | 66,377,030 | 4,627,050 | (574,146) | 70,429,934 |
| Accumulated depreciation | (34,335,947) | (1,838,242) | 469,903 | (35,704,286) |
| Total capital assets | $ 44,402,883 | 5,626,174 | (4,731,292) | 45,297,765 |

**San Lorenzo Valley Water District**
***Management's Discussion and Analysis, continued***
**For the Fiscal Years Ended June 30, 2022 and 2021**

## Capital Asset Administration, continued

The change in capital assets for 2021, was as follows:

| | | Balance 2020 | Additions | Transfers/ Disposals | Balance 2021 |
|---|---|---|---|---|---|
| Capital assets: | | | | | |
| Non-depreciable assets | $ | 9,129,138 | 8,004,839 | (4,772,177) | 12,361,800 |
| Depreciable assets | | 62,998,298 | 4,335,135 | (956,403) | 66,377,030 |
| Accumulated depreciation | | (33,558,534) | (1,728,054) | 950,641 | (34,335,947) |
| Total capital assets | $ | 38,568,902 | 10,611,920 | (4,777,939) | 44,402,883 |

The District's investment in capital assets (net of accumulated depreciation) amounted to $45,297,765. Major capital assets additions during the year included upgrades to the District's water transmission and distribution system, and field and shop equipment[1].

At the end of fiscal year 2021, the District's investment in capital assets (net of accumulated depreciation) amounted to $44,402,883. Major capital assets additions during the year included upgrades to the District's water transmission and distribution system, field and shop equipment, and transportation equipment.

See Note 4 for further information.

## Debt Administration

The change in long-term debt amounts for 2022, was as follows:

| | | Balance 2021 | Additions | Principal Payments | Balance 2022 |
|---|---|---|---|---|---|
| Long-term debt: | | | | | |
| Notes payable | $ | 19,429,630 | - | (932,245) | 18,497,385 |
| Bonds payable | | 103,247 | - | (103,247) | - |
| Certificate of participation | | 14,628,127 | - | (274,579) | 14,353,548 |
| Capital lease payable | | 22,933 | - | (22,933) | - |
| Total long-term debt | $ | 34,183,937 | - | (1,333,004) | 32,850,933 |

The change in long term debt amounts for 2021, was as follows:

| | | Balance 2020 | Additions | Principal Payments | Balance 2021 |
|---|---|---|---|---|---|
| Long-term debt: | | | | | |
| Notes payable | $ | 4,760,158 | 15,000,000 | (330,528) | 19,429,630 |
| Bonds payable | | 597,778 | - | (494,531) | 103,247 |
| Certificate-of-participation | | 14,887,705 | - | (259,578) | 14,628,127 |
| Capital lease payable | | 46,859 | - | (23,926) | 22,933 |
| Total long-term debt | $ | 20,292,500 | 15,000,000 | (1,108,563) | 34,183,937 |

[1] Capital assets are at original purchase price and not replacement cost.

## Debt Administration, continued

The District's long-term debt decreased $1,333,004, primarily due to principal payments.

In fiscal year 2021, the District's long-term debt increased $13,891,437, primarily due to the addition of a $15,000,000 installment purchase agreement, which was offset by $1,108,563 in principal payments.

See Note 6 for further information.

## Conditions Affecting Current Financial Position

The COVID-19 outbreak in the United States has caused business disruption through labor shortages and business closings. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. Consequently, the related financial impact on the District cannot be estimated at this time.

On August 2020, the District suffered damages to its water infrastructures caused by the Boulder Creek Fire. The District is working with other agencies to rebuild and repair damages caused by the fire.

Management is unaware of any other conditions which could have a significant impact on the District's current financial position, net position, or operating results in terms of past, present, and future.

## Requests for Information

This financial report is designed to provide the District's funding sources, customers, stakeholders, and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District at San Lorenzo Valley Water District, 13060 Highway 9, Boulder Creek, California 95006, (831) 430-4620.

# Basic Financial Statements

# San Lorenzo Valley Water District
## Statements of Net Position
## June 30, 2022 and 2021

| | | 2022 | 2021 |
|---|---|---|---|
| **Current assets:** | | | |
| Cash and cash equivalents (note 2) | $ | 164,214 | 848,935 |
| Cash and cash equivalents – restricted (note 2) | | 23,601,430 | 24,278,757 |
| Accrued interest receivable | | 158 | 69 |
| Investments (note 2) | | 5,719,782 | 4,085,651 |
| Accounts receivable – water sales and services | | 1,880,582 | 1,896,188 |
| Accounts receivable – property taxes | | 18,840 | 67 |
| Accounts receivable – grant and loan receivable (note 4) | | 3,003,894 | 3,006,275 |
| Accounts receivable – other | | 15,378 | 13,416 |
| Prepaid expenses | | 20,716 | 76,952 |
| Materials and supplies inventory | | 289,758 | 296,125 |
| **Total current assets** | | 34,714,752 | 34,502,435 |
| **Non-current assets:** | | | |
| Investments in joint-powers authority (note 3) | | 76,962 | 52,189 |
| Capital assets – not being depreciated (note 4) | | 10,572,117 | 12,361,800 |
| Capital assets – being depreciated (note 4) | | 34,725,648 | 32,041,083 |
| **Total non-current assets** | | 45,374,727 | 44,455,072 |
| **Total assets** | | 80,089,479 | 78,957,507 |
| **Deferred outflows of resources:** | | | |
| Deferred OPEB outflows (note 7) | | 618,648 | 687,353 |
| Deferred pension outflows (note 8) | | 945,550 | 1,019,694 |
| **Total deferred outflows of resources** | $ | 1,564,198 | 1,707,047 |

Continued on next page

See accompanying notes to the basic financial statements

# San Lorenzo Valley Water District
## Statements of Net Position, continued
## June 30, 2022 and 2021

| | | 2022 | 2021 |
|---|---|---|---|
| **Current liabilities:** | | | |
| Accounts payable and accrued expense | $ | 819,832 | 920,780 |
| Accrued wages and related payables | | 155,164 | 114,408 |
| Unearned revenues – customer deposits | | 90,861 | 105,952 |
| Unearned revenues – construction deposits | | 13,978 | 8,579 |
| Accrued interest payable | | 306,141 | 324,155 |
| Long-term liabilities – due in one year: | | | |
| Compensated absences (note 5) | | 193,647 | 228,279 |
| Loans payable (note 6) | | 957,469 | 933,031 |
| Bonds payable (note 6) | | - | 103,247 |
| Certificate-of-participation (note 6) | | 260,000 | 245,000 |
| Capital lease payable (note 6) | | - | 22,828 |
| **Total current liabilities** | | 2,797,092 | 3,006,259 |
| **Non-current liabilities:** | | | |
| Long-term liabilities – due in more than one year: | | | |
| Compensated absences (note 5) | | 344,261 | 405,830 |
| Loans payable (note 6) | | 17,539,916 | 18,496,599 |
| Certificate-of-participation (note 6) | | 14,093,548 | 14,383,127 |
| Capital lease payable (note 6) | | - | 105 |
| Net OPEB liability (note 7) | | 1,517,577 | 2,128,882 |
| Net pension liability (note 8) | | 2,236,443 | 4,530,116 |
| **Total non-current liabilities** | | 35,731,745 | 39,944,659 |
| **Total liabilities** | | 38,528,837 | 42,950,918 |
| **Deferred inflows of resources** | | | |
| Deferred OPEB inflows (note 7) | | 688,564 | 21,988 |
| Deferred pension inflows (note 8) | | 1,961,112 | 45,330 |
| **Total deferred inflows of resources** | | 2,649,676 | 67,318 |
| **Net position:** (note 10) | | | |
| Net investment in capital assets | | 34,697,965 | 33,871,628 |
| Restricted | | 1,350,297 | 626,075 |
| Unrestricted | | 4,426,902 | 3,148,615 |
| **Total net position** | $ | 40,475,164 | 37,646,318 |

See accompanying notes to the basic financial statements

# San Lorenzo Valley Water District
## Statements of Revenues, Expenses, and Changes in Net Position
## For the Fiscal Years Ended June 30, 2022 and 2021

| | 2022 | 2021 |
|---|---|---|
| **Operating revenues:** | | |
| Water consumption sales | $ 11,902,044 | 11,139,017 |
| Wastewater service | 173,034 | 161,007 |
| Meter sales, charges, and penalties | 156,402 | 157,486 |
| Other charges and services | 591 | 5,119 |
| **Total operating revenues** | 12,232,071 | 11,462,629 |
| **Operating expenses:** | | |
| Salaries and benefits | 5,308,006 | 6,036,430 |
| Professional services | 1,582,052 | 1,823,155 |
| Operational | 478,768 | 509,163 |
| Maintenance | 203,623 | 200,846 |
| Facilities | 642,332 | 698,229 |
| General and administrative | 436,647 | 426,594 |
| **Total operating expenses** | 8,651,428 | 9,694,417 |
| Operating income before overhead absorption | 3,580,643 | 1,768,212 |
| Overhead absorption | 180,218 | 379,539 |
| Operating income before depreciation expense | 3,760,861 | 2,147,751 |
| Depreciation expense | (1,838,242) | (1,728,054) |
| **Operating income** | 1,922,619 | 419,697 |
| **Non-operating revenues(expenses):** | | |
| Property tax | 896,170 | 847,676 |
| Assessment revenues | 343,333 | 343,086 |
| Investment earnings | 126,229 | 131,657 |
| Change in investment in Santa Margarita Groundwater Agency | (17,227) | (153,963) |
| Operating grant | 151,076 | 334,681 |
| Rental revenue | 54,840 | 50,558 |
| Bond issuance expense | - | (55,000) |
| Interest expense | (952,956) | (772,887) |
| Gain on disposition of capital assets | (101,873) | 13,706 |
| Settlement and purchase agreements | 9,428 | 6,942 |
| **Total non-operating revenues, net** | 509,020 | 746,456 |
| **Net income before capital contributions** | 2,431,639 | 1,166,153 |
| **Capital contributions:** | | |
| Capital grants – other governments | 397,207 | 3,031,227 |
| **Total capital contributions** | 397,207 | 3,031,227 |
| **Changes in net position** | 2,828,846 | 4,197,380 |
| **Net position, beginning of year** | 37,646,318 | 33,448,938 |
| **Net position, end of year** | $ 40,475,164 | 37,646,318 |

See accompanying notes to the basic financial statements

# San Lorenzo Valley Water District
## Statements of Cash Flows
## For the Fiscal Years Ended June 30, 2022 and 2021

| | | 2022 | 2021 |
|---|---|---|---|
| **Cash flows from operating activities:** | | | |
| Cash receipts from customers for sales and services | $ | 12,244,860 | 11,281,023 |
| Cash paid to employees for salaries and wages | | (5,363,451) | (6,007,517) |
| Cash paid to vendors for materials and services | | (3,380,729) | (3,007,450) |
| **Net cash provided by operating activities** | | 3,500,680 | 2,266,056 |
| **Cash flows from non-capital financing activities:** | | | |
| Proceeds from property taxes/assessments | | 1,220,730 | 1,192,019 |
| Proceeds from rental revenue | | 54,840 | 50,558 |
| Operating grant | | 151,076 | 334,681 |
| **Net cash provided by non-capital financing activities** | | 1,426,646 | 1,577,258 |
| **Cash flows from capital and related financing activities:** | | | |
| Acquisition and construction of capital assets | | (2,834,997) | (7,548,329) |
| Proceeds from capital contributions | | 399,588 | 24,952 |
| Proceeds from long-term debt | | - | 15,000,000 |
| Bond issuance cost | | - | (55,000) |
| Principal paid on long-term debt | | (1,333,004) | (1,108,563) |
| Interest paid on long-term debt | | (970,970) | (655,388) |
| **Net cash (used in) provided by capital and related financing activities** | | (4,739,383) | 5,657,672 |
| **Cash flows from investing activities:** | | | |
| Purchase of investments | | (1,634,131) | (116,258) |
| Santa Margarita Groundwater Agency contribution | | (42,000) | (184,471) |
| Proceeds from investment earnings | | 126,140 | 134,794 |
| **Net cash used in investing activities** | | (1,549,991) | (165,935) |
| **Net (decrease) increase in cash and cash equivalents** | | (1,362,048) | 9,335,051 |
| **Cash and cash equivalents, beginning of year** | | 25,127,692 | 15,792,641 |
| **Cash and cash equivalents, end of year** | $ | 23,765,644 | 25,127,692 |
| | | | |
| **Reconciliation of cash and cash equivalents to statements of net position:** | | | |
| Cash and cash equivalents | $ | 164,214 | 848,935 |
| Cash and cash equivalents – restricted | | 23,601,430 | 24,278,757 |
| **Total cash and cash equivalents** | $ | 23,765,644 | 25,127,692 |

Continued on next page

See accompanying notes to the basic financial statements

# San Lorenzo Valley Water District
## Statements of Cash Flows, continued
## For the Fiscal Years Ended June 30, 2022 and 2021

| | 2022 | 2021 |
|---|---|---|
| **Reconciliation of operating income to net cash provided by operating activities:** | | |
| Operating income | $ 1,922,619 | 419,697 |
| **Adjustments to reconcile operating income to net cash provided by operating activities:** | | |
| Depreciation and amortization | 1,838,242 | 1,728,054 |
| Settlement and purchase agreements | 9,428 | 6,942 |
| **Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:** | | |
| (Increase)decrease in assets and deferred outflows of resources: | | |
| Accounts receivable – water sales and services, net | 15,606 | (159,131) |
| Accounts receivable – other | (1,962) | (12,781) |
| Prepaid expenses | 56,236 | (62,847) |
| Materials and supplies inventory | 6,367 | (12,989) |
| Deferred outflows of resources | 142,849 | (31,242) |
| Increase(decrease) in liabilities and deferred inflows of resources: | | |
| Accounts payable and accrued expense | (100,948) | (26,676) |
| Accrued wages and related payables | 40,756 | (34,907) |
| Unearned revenues – customer deposits | (15,091) | (3,096) |
| Unearned revenues – construction deposits | 5,399 | (8,421) |
| Compensated absences | (96,201) | 63,820 |
| Net OPEB liability | (611,305) | 138,377 |
| Net pension liability | (2,293,673) | 371,772 |
| Deferred inflows of resources | 2,582,358 | (110,516) |
| **Total adjustments** | 1,578,061 | 1,846,359 |
| **Net cash provided by operating activities** | $ 3,500,680 | 2,266,056 |

See accompanying notes to the basic financial statements

# San Lorenzo Valley Water District
## Notes to the Financial Statements
## For the Fiscal Years Ended June 30, 2022 and 2021

## Note 1 Reporting Entity and Summary of Significant Accounting Policies

### A. Organization and Operations of the Reporting Entity

The San Lorenzo Valley Water District (District) is an independent special district established in 1941, pursuant to Section 30,000 et seq. of the California Water Code for the purpose of developing and providing water for domestic use, fire protection, and recreation in the San Lorenzo Valley. Additionally, the District provides sewer service to the Bear Creek Estates area within the District. The District utilizes separate Water and Sewer funds to account for District operations. The District is governed by a five-member Board of Directors elected by the voters in the area serving four-year terms. The District provides approximately 7,900 customers with water service and 56 customers with sewer service within its service area.

### B. Basis of Accounting and Measurement Focus

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs of providing water and sewer services to its customers on a continuing basis be financed or recovered primarily through user charges (water and sewer service fees). Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

Operating revenues, such as water and sewer fees, result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as property taxes and investment income, result from non-exchange transactions, which the District gives (receives) value without directly receiving (giving) value in exchange.

The District recognizes revenue from water and sewer service charges based on cycle billings performed every month. The District accrues revenues with respect to water and sewer service sold, but not billed, at the end of a fiscal period.

### C. Financial Reporting

The District's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to enterprise funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District solely operates as a special-purpose government which means it is only engaged in business-type activities; accordingly, activities are reported in the District's proprietary fund.

## Note 1 Reporting Entity and Summary of Significant Accounting Policies, continued

### C. Financial Reporting, continued

The District has adopted the following GASB pronouncements in the current year:

In June 2017, the GASB issued Statement No. 87 – *Leases.* The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

In June 2018, the GASB issued Statement No. 89 – *Accounting for Interest Cost incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

In January 2020, the GASB issued Statement No. 92 – *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

The requirements of this Statement were as follows: (1) The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance; (2) The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2020; (3) The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2020; and (4) The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2020; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged and is permitted by topic.

## Note 1 Reporting Entity and Summary of Significant Accounting Policies, continued

### C. Financial Reporting, continued

In March 2020, the GASB issued Statement No. 93 – *Replacement of Interbank Offered Rates*. The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an IBOR. This Statement achieves that objective by: (1) Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment; (2) Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate; (3) Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable; (4) Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap; (5) Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap; (6) Clarifying the definition of reference rate, as it is used in Statement 53, as amended; and (7) Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

In October 2021, the GASB issued Statement No. 98 – *The Annual Comprehensive Financial Report*. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments.

This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur.

### D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position

#### 1. Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, and deferred inflows, and disclosures of contingent assets, deferred outflows, liabilities, and deferred inflows at the date of the financial statements and the reported changes in net position during the reporting period. Actual results could differ from those estimates.

#### 2. Uncertainty

The COVID-19 outbreak in the United States has caused business disruption through labor shortages and business closings. While the disruption is currently expected to be temporary, there is considerable uncertainty around its duration. Consequently, the related financial impact on the District cannot be estimated at this time.

#### 3. Cash and Cash Equivalents

Substantially all of the District's cash is invested in interest bearing accounts. The District considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

## Note 1 Reporting Entity and Summary of Significant Accounting Policies, continued

### D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

#### 4. Investments and Investment Policy

The District has adopted an investment policy to deposit and invest funds in financial institutions in accordance with California Government Code section 53600. The investment policy applies to all financial assets and investment activities of the District.

Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

#### 5. Fair Value Measurement

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

The hierarchy is based on valuation inputs used to measure the fair value of assets as follows:

- **Level 1** – Valuation is based on quoted prices in active markets for identical assets.
- **Level 2** – Valuation is based on directly observable and indirectly observable inputs. These inputs are derived principally from or corroborated by observable market data through correlation or market-corroborated inputs. The concept of market-corroborated inputs incorporates observable market data such as interest rates and yield curves that are observable at commonly quoted intervals.
- **Level 3** – Valuation is based on unobservable inputs where assumptions are made based on factors such as prepayment rates, probability of default, loss severity, and other assumptions that are internally generated and cannot be observed in the market.

#### 6. Accounts Receivable and Allowance for Uncollectible Accounts

The District extends credit to customers in the normal course of operations. When management deems customer accounts uncollectible, the District uses the allowance method for the reservation and write-off of those accounts.

#### 7. Property Taxes and Assessments

The Santa Cruz County Assessor's Office assesses all real and personal property within the County each year. The Santa Cruz Tax Collector's Office bills and collects the District's share of property taxes and assessments. The Santa Cruz County Treasurer's Office remits current and delinquent property tax collections to the District throughout the year. Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent (1%) of countywide assessed valuations.

Property taxes receivable at year-end are related to property taxes collected by the Santa Cruz County which have not been credited to the District's cash balance as of June 30. The property tax calendar is as follows:

| | |
|---|---|
| Lien date | March 1 |
| Levy date | July 1 |
| Due dates | November 1 and March 1 |
| Collection dates | December 10 and April 10 |

## Note 1 Reporting Entity and Summary of Significant Accounting Policies, continued

### D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

#### 8. Materials and Supplies Inventory

Materials and supplies inventory consists primarily of water meters, pipes, and pipefittings for construction and repair to the District's water transmission and distribution system. Inventory is valued at cost using a weighted average method. Inventory items are charged to expense at the time those items are withdrawn from inventory or consumed.

#### 9. Prepaid Expenses

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items in the basic financial statements.

#### 10. Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets at $5,000. Donated assets are recorded at acquisition value rather than fair market value at the date of donation. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances, and any gains or losses are recognized. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

- Transmission and distribution mains – 33 to 50 years
- Buildings – 33 years
- Transportation and other equipment – 10 years
- Computer and office equipment – 5 years

#### 11. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of resources that is applicable to future periods.

#### 12. Construction Advances and Deposits

Construction deposits are collected by the District to cover the cost of construction projects within the District. Funds in excess of project costs are refunded to the customer.

#### 13. Compensated Absences

The District's policy is to permit employees to accumulate earned paid time off. The liability for vested vacation and sick leave is recorded as an expense when earned.

Upon termination or retirement, permanent employees are entitled to receive compensation at their current base salary for all unused paid time off except for those employees that have not completed the probationary period.

#### 14. Deferred Inflows of Resources

Deferred inflows of resources represent the acquisition of resources that is applicable to future periods.

## Note 1 Reporting Entity and Summary of Significant Accounting Policies, continued

### D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

#### 15. Pensions

For the purpose of measuring net pension liability, deferred outflows/inflows of resources related to pension, pension expense, and information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plans (Plans), addition to/deduction from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For fiscal years 2022 and 2021, the following timeframes are used:

- Valuation dates: June 30, 2020 and 2019
- Measurement dates: June 30, 2021 and 2020
- Measurement periods: July 1, 2020 to June 30, 2021; and July 1, 2019 to June 30, 2020

#### 16. Water and Sewer Sales

The District recognizes water and sewer service charges based on cycle billings rendered to customers each month.

#### 17. Capital Contributions

Capital contributions represent cash and capital asset additions contributed to the District by property owners, granting agencies, or real estate developers desiring services that require capital expenditures or capacity commitment.

#### 18. Net Position

The District follows the financial reporting requirements of the GASB and reports net position under the following classifications:

- **Net investment in capital assets** – consists of capital assets, net of accumulated depreciation and reduced by any outstanding debt against the acquisition, construction, or improvement of those assets.
- **Restricted** – consists of constraints placed on net position use through external constraints imposed by creditors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted** – consists of net position that does not meet the definition of *restricted* or *net investment in capital assets* components of net position.

#### 19. Budgetary Policies

The District adopts an annual non-appropriated budget for planning, control, and evaluation purposes. Budgetary control and evaluation are affected by comparisons of actual revenues and expenses with planned revenues and expenses for the period. Encumbrance accounting is not used to account for commitments related to unperformed contracts for construction and services.

**San Lorenzo Valley Water District**
**Notes to the Financial Statements, continued**
**For the Fiscal Years Ended June 30, 2022 and 2021**

## Note 2 Cash and Investments

Cash and investments as of June 30, are classified as follows:

| | | 2022 | 2021 |
|---|---|---|---|
| Cash and cash equivalents | $ | 164,214 | 848,935 |
| Cash and cash equivalents – restricted | | 23,601,430 | 24,278,757 |
| Investments – current | | 5,719,782 | 4,085,651 |
| Total cash and investments | $ | 29,485,426 | 29,213,343 |

Cash and investments as of June 30, consist of the following:

| | | 2022 | 2021 |
|---|---|---|---|
| Cash on hand | $ | 340 | 297 |
| Deposits with financial institutions | | 886,952 | 764,719 |
| Investments | | 28,598,134 | 28,448,327 |
| Total cash and investments | $ | 29,485,426 | 29,213,343 |

As of June 30, the District's authorized deposits had the following average days to maturity:

| | 2022 | 2021 |
|---|---|---|
| Deposits held with the California Local Agency Investment Fund | 311 days | 291 days |
| Deposits held with the County of Santa Cruz Investment Fund | 430 days | 439 days |

As of June 30, 2022, the District's investment was allocated as follows:

| Investment Type | | 2022 | Percent Allocation | |
|---|---|---|---|---|
| Local Agency Investment Fund | $ | 84,154 | 0.29 | % |
| County of Santa Cruz Investment Fund | | 28,215,135 | 98.66 | |
| Held by bond trustee: | | | | |
| Money market funds | | 298,845 | 1.04 | |
| Total | $ | 28,598,134 | 100.00 | % |

## Note 2 Cash and Investments, continued

As of June 30, 2021, the District's investment was allocated as follows:

| Investment Type | | 2021 | Percent Allocation | |
|---|---|---|---|---|
| Local Agency Investment Fund | $ | 83,920 | 0.29 | % |
| County of Santa Cruz Investment Fund | | 28,065,439 | 98.65 | |
| Held by bond trustee: | | | | |
| Money market funds | | 298,968 | 1.05 | |
| Total | $ | 28,448,327 | 100.00 | % |

### *Investments Authorized by the California Government Code and the District's Investment Policy*

The following table identifies the investment types that are authorized by the District in accordance with the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the District; rather, the table addresses the general provisions of the California Government Code or the District's investment policy.



| Authorized Investment Type | Maximum Maturity | Maximum Percentage of Portfolio | Maximum Investment in One Issuer |
|---|---|---|---|
| U.S. Treasury obligations | 5 years | None | None |
| Federal agency and bank obligations | 5 years | None | None |
| Certificates-of-deposit (negotiable or placed) | 5 years | 30% | 10% |
| Commercial paper (prime) | 270 days | 10% | 10% |
| Money market mutual funds | N/A | 20% | None |
| County of Santa Cruz Investment Fund | N/A | None | None |
| California Local Agency Investment Fund (LAIF) | N/A | None | None |

### *Custodial Credit Risk*

The custodial credit risk for *deposits* is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

The custodial credit risk for *investments* is the risk that, in the event of failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

## Note 2 Cash and Investments, continued

### *Custodial Credit Risk, continued*

The California Government Code and the District's investment policy do not contain legal and policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provisions for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by public agencies. As of June 30, 2022 and 2021, bank balances are federally insured up to $250,000. The remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name.

### *Investment in State Investment Pool*

The District is a voluntary participant in the California Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The fair value factor for LAIF is reported on a quarterly basis. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

The District's deposit and withdrawal restrictions and limitations are as follows:

- Same day transaction processing occurs for orders received before 10:00 a.m.
- Next day transactions processing occurs for orders received after 10:00 a.m.
- Maximum limit of 15 transactions (combination of deposits and withdrawals) per month.
- Minimum transaction amount requirement of $5,000, in increments of $1,000.
- Withdrawals of $10 million or more require 24 hours advance.
- Prior to funds transfer, an authorized person must call LAIF to do a verbal transaction.

### *Investment in County of Santa Cruz Investment Pool*

The District is a voluntary participant in the County of Santa Cruz Investment Fund (Fund) that is established and controlled by the Treasury-Tax Department of the County of Santa Cruz to afford smaller agencies the benefits of a larger investment portfolio, including higher interest rates and greater diversification. Authority for the County of Santa Cruz Investment Fund is delegated to the County of Santa Cruz Treasurer. The fair value of the District's investment in this fund is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value for the entire Fund portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the Fund, which are stated at cost in accordance with GASB Statement No. 31, "*Accounting and Financial Reporting for Certain Investments and for External Investment Pools*".

**San Lorenzo Valley Water District**
**Notes to the Financial Statements, continued**
**For the Fiscal Years Ended June 30, 2022 and 2021**

## Note 2 Cash and Investments, continued

### *Investment in County of Santa Cruz Investment Pool, continued*

The District's deposit and withdrawal restrictions and limitations are as follows:

- Notice must be submitted to the County at least one day prior to actual fund transfer or withdrawal.
- Transactions amounting to $1 million must be provided with a 2 day notice.
- All requests must be in writing. Verbal transactions are not permitted.

### *Interest Rate Risk*

Interest rate risk is the risk that the change in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to the change in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments, and by timing cash flows from maturities so that a portion of the portfolio matures or comes close to maturity evenly over time as necessary to provide for cash flow requirements and liquidity needed for operations.

As of June 30, 2022, the District's investments are scheduled to mature as follows:

| Investment Type | Total | Remaining Maturity (12 Months or Less) |
|---|---|---|
| Local Agency Investment Fund | $ 84,154 | 84,154 |
| County of Santa Cruz Investment Fund | 28,215,135 | 28,215,135 |
| Held by bond trustee: | | |
| Money market funds | 298,845 | 298,845 |
| Total | $ 28,598,134 | 28,598,134 |

As of June 30, 2021, the District's investments are scheduled to mature as follows:

| Investment Type | Total | Remaining Maturity (12 Months or Less) |
|---|---|---|
| Local Agency Investment Fund | $ 83,920 | 83,920 |
| County of Santa Cruz Investment Fund | 28,065,439 | 28,065,439 |
| Held by bond trustee: | | |
| Money market funds | 298,968 | 298,968 |
| Total | $ 28,448,327 | 28,448,327 |

**San Lorenzo Valley Water District**
**Notes to the Financial Statements, continued**
**For the Fiscal Years Ended June 30, 2022 and 2021**

## Note 2 Cash and Investments, continued

### *Credit Risk*

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy or debt agreements, and the actual rating as of the years ended for each investment type.

Credit ratings as of June 30, 2022, were as follows:

| Investment Type | Total | Minimum Legal Rating | Exempt From Disclosure | Rating At Year End (Not Rated) |
|---|---|---|---|---|
| Local Agency Investment Fund | $ 84,154 | N/A | - | 84,154 |
| County of Santa Cruz Investment Fund | 28,215,135 | N/A | - | 28,215,135 |
| Held by bond trustee: | | | | |
| Money market funds | 298,845 | AAA | 298,845 | - |
| Total | $ 28,598,134 | | 298,845 | 28,299,289 |

Credit ratings as of June 30, 2021, were as follows:

| Investment Type | Total | Minimum Legal Rating | Exempt From Disclosure | Rating At Year End (Not Rated) |
|---|---|---|---|---|
| Local Agency Investment Fund | $ 83,920 | N/A | - | 83,920 |
| County of Santa Cruz Investment Fund | 28,065,439 | N/A | - | 28,065,439 |
| Held by bond trustee: | | | | |
| Money market funds | 298,968 | AAA | 298,968 | - |
| Total | $ 28,448,327 | | 298,968 | 28,149,359 |

### *Concentration of Credit Risk*

The District's investment policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There were no investments in any one issuer (other than for U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District's investments at June 30, 2022 and 2021.

**San Lorenzo Valley Water District**
**Notes to the Financial Statements, continued**
**For the Fiscal Years Ended June 30, 2022 and 2021**

## Note 3 Investment in Joint Powers Authority

Jointly governed organizations are legal entities or other organizations that result from a contractual arrangement and that are owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain an ongoing financial interest or ongoing financial responsibility as permitted by the California Government Code.

As of June 30, 2022, the District's participation in the jointly governed organization consists of the following balance:

| | 2021 | Additions | Deletion | 2022 |
|---|---|---|---|---|
| Santa Margarita Groundwater Agency | $ 52,189 | 42,000 | (17,227) | 76,962 |

As of June 30, 2021, the District's participation in the jointly governed organization consists of the following balance:

| | 2020 | Additions | Deletion | 2021 |
|---|---|---|---|---|
| Santa Margarita Groundwater Agency | $ 21,681 | 325,129 | (294,621) | 52,189 |

The District has recorded its interest in the joint-powers authority under the equity method of accounting whereby, the District's equity in the joint-powers authorities is equal to the original cost of assets contributed plus their pro rata share of the net position of the joint-powers authority.

**San Lorenzo Valley Water District**
**Notes to the Financial Statements, continued**
**For the Fiscal Years Ended June 30, 2022 and 2021**

## Note 4 Capital Assets

The change in capital assets for 2022, was as follows:

| | Balance 2021 | Additions/ Transfers | Deletions/ Transfers | Balance 2022 |
|---|---|---|---|---|
| Non-depreciable assets: | | | | |
| Land | $ 5,197,413 | - | - | 5,197,413 |
| Construction-in-process | 7,164,387 | 2,837,366 | (4,627,049) | 5,374,704 |
| Total non-depreciable assets | 12,361,800 | 2,837,366 | (4,627,049) | 10,572,117 |
| Depreciable assets: | | | | |
| Water transmission and distribution | 58,364,720 | 4,503,015 | (439,071) | 62,428,664 |
| Wastewater system | 1,428,103 | - | - | 1,428,103 |
| Buildings and structures | 2,929,197 | 38,328 | (14,000) | 2,953,525 |
| Transportation equipment | 1,209,569 | - | - | 1,209,569 |
| Field and shop equipment | 1,943,235 | 79,604 | (111,493) | 1,911,346 |
| Office equipment | 502,206 | 6,103 | (9,582) | 498,727 |
| Total depreciable assets | 66,377,030 | 4,627,050 | (574,146) | 70,429,934 |
| Accumulated depreciation: | | | | |
| Water transmission and distribution | (29,033,247) | (1,430,392) | 404,525 | (30,059,114) |
| Wastewater system | (1,183,242) | (42,055) | - | (1,225,297) |
| Buildings and structures | (1,804,656) | (94,374) | 14,000 | (1,885,030) |
| Transportation equipment | (969,730) | (91,236) | - | (1,060,966) |
| Field and shop equipment | (845,143) | (179,332) | 42,039 | (982,436) |
| Office equipment | (499,929) | (853) | 9,339 | (491,443) |
| Total accumulated depreciation | (34,335,947) | (1,838,242) | 469,903 | (35,704,286) |
| Total depreciable assets, net | 32,041,083 | 2,788,808 | (104,243) | 34,725,648 |
| Total capital assets, net | $ 44,402,883 | | | 45,297,765 |

In fiscal year 2022, total depreciation expense of $1,838,242 was charged to the District's water and sewer funds in the amount of $1,794,759 and $43,483, respectively.

**San Lorenzo Valley Water District**
**Notes to the Financial Statements, continued**
**For the Fiscal Years Ended June 30, 2022 and 2021**

## Note 4 Capital Assets, continued

The change in capital assets for 2021, was as follows:

| | Balance 2020 | Additions | Deletions/ Transfers | Balance 2021 |
|---|---|---|---|---|
| Non-depreciable assets: | | | | |
| Land | $ 5,107,583 | 89,830 | - | 5,197,413 |
| Construction-in-process | 4,021,555 | 7,915,009 | (4,772,177) | 7,164,387 |
| Total non-depreciable assets | 9,129,138 | 8,004,839 | (4,772,177) | 12,361,800 |
| Depreciable assets: | | | | |
| Water transmission and distribution | 55,618,752 | 3,636,532 | (890,564) | 58,364,720 |
| Wastewater system | 1,428,103 | - | - | 1,428,103 |
| Buildings and structures | 2,929,197 | - | - | 2,929,197 |
| Transportation equipment | 1,146,140 | 129,268 | (65,839) | 1,209,569 |
| Field and shop equipment | 1,373,900 | 569,335 | - | 1,943,235 |
| Office equipment | 502,206 | - | - | 502,206 |
| Total depreciable assets | 62,998,298 | 4,335,135 | (956,403) | 66,377,030 |
| Accumulated depreciation: | | | | |
| Water transmission and distribution | (28,589,642) | (1,328,407) | 884,802 | (29,033,247) |
| Wastewater system | (1,141,242) | (42,000) | - | (1,183,242) |
| Buildings and structures | (1,711,504) | (93,152) | - | (1,804,656) |
| Transportation equipment | (948,239) | (87,330) | 65,839 | (969,730) |
| Field and shop equipment | (714,879) | (130,264) | - | (845,143) |
| Office equipment | (453,028) | (46,901) | - | (499,929) |
| Total accumulated depreciation | (33,558,534) | (1,728,054) | 950,641 | (34,335,947) |
| Total depreciable assets, net | 29,439,764 | 2,607,081 | (5,762) | 32,041,083 |
| Total capital assets, net | $ 38,568,902 | | | 44,402,883 |

In fiscal year 2021, total depreciation expense of $1,728,054 was charged to the District's water and sewer funds in the amount of $1,686,053 and $42,001, respectively.

**San Lorenzo Valley Water District**
**Notes to the Financial Statements, continued**
**For the Fiscal Years Ended June 30, 2022 and 2021**

## Note 4 Capital Assets, continued

***Construction-In-Process***

The District has been involved in various construction projects throughout the year. Once completed, projects are capitalized and depreciated over the life of the asset. The projects that comprise the construction-in-process balances at June 30, are as follows:

| | 2022 | 2021 |
|---|---|---|
| Admin Campus (inactive) | $ 1,015,535 | 1,015,535 |
| Alta Via Road Main | 160,117 | 131,034 |
| Bear Creek Wastewater | 88,010 | 88,010 |
| Blue Ridge Tank Replacement | 68,928 | - |
| Bracken Brae/Forest Springs Consolidation | 91,649 | - |
| CA-9 Bridges main Replacement | 65,400 | - |
| CZU Harmon Street 2 | 75,412 | - |
| Eckley Tank Zone | 262,465 | 188,169 |
| Fish Ladder | 623,622 | 575,834 |
| Five Mile Pipeline | 90,297 | 84,884 |
| Foreman Creek Intake/Raw Water | 107,090 | 606,010 |
| Glen Arbor Bridge South | 88,136 | 52,658 |
| Habitat Conservation Plan | 65,513 | 59,633 |
| Hermosa Oak Fernwood Water main Replacement | 58,343 | - |
| Huckleberry Island Main Line Replacement | 88,783 | - |
| Juanita Woods Water Main Replacement | 56,084 | - |
| Kaski tank | - | 858,990 |
| Lewis Tank | - | 1,143,152 |
| Lyon Pipeline Project | 362,931 | 219,492 |
| Lyon Tank | - | 129,267 |
| Lyon Water Treatment Plant Access Road Repair | 273,412 | 206,137 |
| Madrone Tank | - | 954,404 |
| Orman Road Water Main Replacement | 56,084 | - |
| Quail Hollow Pipeline Project | 1,021,432 | 121,578 |
| Swim Tank | 249,624 | 239,092 |
| University Tank SCADA Upgrade | 55,931 | - |
| Various individual projects under $50,000 | 349,906 | 387,218 |
| Water Master Plan | - | 103,290 |
| Construction-in-process | $ 5,374,704 | 7,164,387 |

**San Lorenzo Valley Water District**
**Notes to the Financial Statements, continued**
**For the Fiscal Years Ended June 30, 2022 and 2021**

## Note 5 Compensated Absences

Compensated absences comprise of unpaid time off which is accrued as earned. The District's liability for compensated absences is determined annually. Compensated absences are recorded as a liability on the Statements of Net Position and will be liquidated through the water fund.

The change in compensated absences for the year ended June 30, 2022, are as follows:

| Balance 2021 | Additions | Deletions | Balance 2022 | Due within One Year | Due in more than one year |
|---|---|---|---|---|---|
| $ 634,109 | 393,575 | (489,776) | 537,908 | 193,647 | 344,261 |

The change in compensated absences for the year ended June 30, 2021, are as follows:

| Balance 2020 | Additions | Deletions | Balance 2021 | Current Portion | Due in more than one year |
|---|---|---|---|---|---|
| $ 570,289 | 473,369 | (409,549) | 634,109 | 228,279 | 405,830 |

## Note 6 Long-Term Debt

The change in long-term debt for the year ended June 30, 2022, are as follows:

| | Balance 2021 | Transfer/ Additions | Transfer/ Payments | Balance 2022 | Current Portion | Long-Term Portion |
|---|---|---|---|---|---|---|
| Loans payable: | | | | | | |
| CoBank, ACB | $ 15,000,000 | - | (592,284) | 14,407,716 | 606,584 | 13,801,132 |
| Felton Safe Drinking Water Loan | 1,037,420 | - | (162,684) | 874,736 | 166,642 | 708,094 |
| State of California Revolving Fund Loan | 1,326,125 | - | (70,168) | 1,255,957 | 72,440 | 1,183,517 |
| Capital One Loan | 1,877,464 | - | (74,831) | 1,802,633 | 77,969 | 1,724,664 |
| Government Obligation Contract | 188,621 | - | (32,278) | 156,343 | 33,834 | 122,509 |
| Total loans payable | 19,429,630 | - | (932,245) | 18,497,385 | 957,469 | 17,539,916 |
| Bonds payable | | | | | | |
| Bank of Nevada Refunding Bonds | 103,247 | - | (103,247) | - | - | - |
| Total bonds payable | 103,247 | - | (103,247) | - | - | - |
| Certificate-of-participation | | | | | | |
| Revenue Series 2019 | 13,795,000 | - | (245,000) | 13,550,000 | 260,000 | 13,290,000 |
| Premium | 833,127 | - | (29,579) | 803,548 | - | 803,548 |
| Total certificate-of-participation | 14,628,127 | - | (274,579) | 14,353,548 | 260,000 | 14,093,548 |
| Obligation under capital lease: | | | | | | |
| Capital lease payable | 22,933 | - | (22,933) | - | - | - |
| Total capital lease payable | 22,933 | - | (22,933) | - | - | - |
| Total long-term debt payable | 34,183,937 | - | (1,333,004) | 32,850,933 | 1,217,469 | 31,633,464 |
| Less: current portion | (1,333,004) | | | (1,217,469) | | |
| Non-current portion | $ 32,850,933 | | | 31,633,464 | | |

# San Lorenzo Valley Water District
## Notes to the Financial Statements, continued
## For the Fiscal Years Ended June 30, 2022 and 2021

## Note 6 Long-Term Debt, continued

The changes in long-term debt for the year ended June 30, 2021, are as follows:

| | Balance 2020 | Additions | Payments | Balance 2021 | Current Portion | Long-Term Portion |
|---|---|---|---|---|---|---|
| Loans payable: | | | | | | |
| CoBank, ACB | $ - | 15,000,000 | - | 15,000,000 | 592,284 | 14,407,716 |
| Felton Safe Drinking Water Loan | 1,196,283 | - | (158,863) | 1,037,420 | 162,686 | 874,734 |
| State of California Revolving Fund Loan | 1,394,524 | - | (68,399) | 1,326,125 | 70,613 | 1,255,512 |
| Capital One Loan | 1,949,284 | - | (71,820) | 1,877,464 | 74,831 | 1,802,633 |
| Government Obligation Contract | 220,067 | - | (31,446) | 188,621 | 32,617 | 156,004 |
| Total loans payable | 4,760,158 | 15,000,000 | (330,528) | 19,429,630 | 933,031 | 18,496,599 |
| Bonds payable | | | | | | |
| Bank of Nevada Refunding Bonds | 597,778 | - | (494,531) | 103,247 | 103,247 | - |
| Total bonds payable | 597,778 | - | (494,531) | 103,247 | 103,247 | - |
| Certificate-of-participation | | | | | | |
| Revenue Series 2019 | 14,025,000 | - | (230,000) | 13,795,000 | 245,000 | 13,550,000 |
| Premium | 862,705 | - | (29,578) | 833,127 | - | 833,127 |
| Total certificate-of-participation | 14,887,705 | - | (259,578) | 14,628,127 | 245,000 | 14,383,127 |
| Obligation under capital lease: | | | | | | |
| Capital lease payable | 46,859 | - | (23,926) | 22,933 | 22,828 | 105 |
| Total capital lease payable | 46,859 | - | (23,926) | 22,933 | 22,828 | 105 |
| Total long-term debt payable | 20,292,500 | 15,000,000 | (1,108,563) | 34,183,937 | 1,304,106 | 32,879,831 |
| Less: current portion | (1,108,563) | | | (1,304,106) | | |
| Non-current portion | $ 19,183,937 | | | 32,879,831 | | |

### *Installment Purchase Agreement*

In March 2021, the District and CoBank, ACB entered into an installment purchase agreement for the purpose of financing the acquisition, design, and construction of certain improvements to the District's water system totaling $15 million. The terms of the agreement state an interest rate of 2.40%, maturing on March 20, 2041. The District makes semi-annual payments of $474,376, including principal and interest on September 20th and March 20th each year.

Annual debt service requirements for the loan are as follows:

| Year | Principal | Interest | Total |
|---|---|---|---|
| 2023 | $ 606,584 | 342,167 | 948,751 |
| 2024 | 621,229 | 327,522 | 948,751 |
| 2025 | 636,228 | 312,523 | 948,751 |
| 2026 | 651,589 | 297,162 | 948,751 |
| 2027 | 667,321 | 281,430 | 948,751 |
| 2028-2032 | 3,586,206 | 1,157,551 | 4,743,757 |
| 2033-2037 | 4,040,549 | 703,208 | 4,743,757 |
| 2038-2041 | 3,598,010 | 196,996 | 3,795,006 |
| Total | 14,407,716 | 3,618,559 | 18,026,275 |
| Current | (606,584) | | |
| Non-current | $ 13,801,132 | | |

## Note 6 Long-Term Debt, continued

### *Felton Safe Drinking Water Loan*

In fiscal year 2009, the District purchased the Felton water system and assumed Felton's California Safe Drinking Water Loan with a fixed rate of 2.42%, maturing on June 30, 2027. The District makes semi-annual payments of $93,399, including principal and interest on July 1st and January 1st each year.

Annual debt service requirements for the loan are as follows:

| Year | Principal | Interest | Total |
|---|---|---|---|
| 2023 | $ 166,642 | 20,155 | 186,797 |
| 2024 | 170,674 | 16,122 | 186,796 |
| 2025 | 174,864 | 11,933 | 186,797 |
| 2026 | 179,099 | 7,698 | 186,797 |
| 2027 | 183,457 | 3,342 | 186,799 |
| Total | 874,736 | 59,250 | 933,986 |
| Current | (166,642) | | |
| Non-current | $ 708,094 | | |

### *State of California Revolving Fund Loan*

On June 30, 2014, the District entered into a grant funding agreement with the California Department of Public Health (State) for a construction loan and grant under the Safe Drinking Water State Revolving Fund Law of 1997 (Revolving Fund Law) at a rate of 2.60%, maturing on January 1, 2037. The construction was for a mainline improvement and extension, in part to connect to the Olympia Mutual service area. A portion of this loan is funded by assessment district fees of the Olympia Mutual Assessment District. The District makes semi-annual payments of $52,116, including principal and interest on July 1st and January 1st.

Annual debt service requirements for the loan are as follows:

| Year | Principal | Interest | Total |
|---|---|---|---|
| 2023 | $ 72,440 | 31,793 | 104,233 |
| 2024 | 74,313 | 29,919 | 104,232 |
| 2025 | 76,236 | 27,997 | 104,233 |
| 2026 | 78,207 | 26,025 | 104,232 |
| 2027 | 80,230 | 24,003 | 104,233 |
| 2028-2032 | 433,373 | 87,791 | 521,164 |
| 2033-2037 | 441,158 | 28,769 | 469,927 |
| Total | 1,255,957 | 256,297 | 1,512,254 |
| Current | (72,440) | | |
| Non-current | $ 1,183,517 | | |

## Note 6 Long-Term Debt, continued

### *Capital One Loan*

On December 12, 2018, the District entered into a loan agreement with Capital One Public Funding, LLC to finance the construction, acquisitions, and improvements associated with the District's water storage facilities, known as the Probation Tank, servicing the Scotts Valley area. The terms of the agreement state an interest rate of 4.15% and matures on September 1, 2038. The District makes semi-annual payments of $75,989, including principal and interest on September 1st and March 1st.

Annual debt service requirements for the loan are as follows:

| Year | Principal | Interest | Total |
|---|---|---|---|
| 2023 | $ 77,969 | 67,333 | 145,302 |
| 2024 | 81,238 | 63,784 | 145,022 |
| 2025 | 84,645 | 60,086 | 144,731 |
| 2026 | 88,194 | 56,233 | 144,427 |
| 2027 | 91,892 | 52,218 | 144,110 |
| 2028-2032 | 520,591 | 194,725 | 715,316 |
| 2033-2037 | 639,280 | 104,832 | 744,112 |
| 2037-2039 | 218,824 | 112,198 | 331,022 |
| Total | 1,802,633 | 711,409 | 2,514,042 |
| Current | (77,969) | | |
| Non-current | $ 1,724,664 | | |

### *Government Obligation Contract*

On November 7, 2016, the District entered into a loan agreement with NBH Bank to finance the installation of the solar electric system in three different locations (as noted in Exhibit B of the agreement) at a rate of 3.67%, maturing on November 15, 2026. The District makes monthly payments of $3,250, including principal and interest.

Annual debt service requirements for the loan are as follows:

| Year | Principal | Interest | Total |
|---|---|---|---|
| 2023 | $ 33,834 | 5,160 | 38,994 |
| 2024 | 35,097 | 3,897 | 38,994 |
| 2025 | 36,407 | 2,587 | 38,994 |
| 2026 | 37,766 | 1,228 | 38,994 |
| 2027 | 13,239 | 99 | 13,338 |
| Total | 156,343 | 12,971 | 169,314 |
| Current | (33,834) | | |
| Non-current | $ 122,509 | | |

## Note 6 Long-Term Debt, continued

### *Bank of Nevada Refunding Bonds*

On March 22, 2012, the District entered into a refunding bond agreement with the Bank of Nevada at a rate of 2.6% in order to pay off several other previously held loans. The District made semi-annual payments of $354,855, including principal and interest on September 1st and March 1st. Final maturity was scheduled for September 1, 2022. During the year ended June 30, 2022, the District paid the bond in full.

### *Revenue Series 2019 Certificate of Participation*

On August 1, 2019, the District executed and delivered a certificate of participation at a rate ranging from 4.0% to 5.0%. The proceeds from the sale of the certificate will be used to finance the acquisition and construction of certain water storage and transmission facilities of the District's water and wastewater system. The District makes payments of principal and interest on September 1st commencing on September 1, 2020 and maturing on September 1, 2049.

Annual debt service requirements for the certificate of participation are as follows:

| Year | Principal | Interest | Total |
|---|---|---|---|
| 2023 | $ 260,000 | 495,350 | 755,350 |
| 2024 | 270,000 | 482,100 | 752,100 |
| 2025 | 285,000 | 468,225 | 753,225 |
| 2026 | 300,000 | 453,600 | 753,600 |
| 2027 | 315,000 | 438,225 | 753,225 |
| 2028-2032 | 1,820,000 | 1,940,700 | 3,760,700 |
| 2033-2037 | 2,240,000 | 1,518,750 | 3,758,750 |
| 2038-2042 | 2,725,000 | 1,034,650 | 3,759,650 |
| 2043-2047 | 3,185,000 | 566,925 | 3,751,925 |
| 2048-2050 | 2,150,000 | 98,100 | 2,248,100 |
| Total | 13,550,000 | 7,496,625 | 21,046,625 |
| Premium | 803,548 | | |
| Current | (260,000) | | |
| Non-current | $ 14,093,548 | | |

### *Capital Lease*

On May 31, 2017, the District entered into a municipal lease purchase agreement (agreement) with Leasource Financial Services, Inc. to purchase three vehicles (lease asset). The agreement has a bargain purchase option, where the District has the option to purchase the lease asset following the expiration of the lease at below market rate. Per Exhibit E of the agreement, the value at the end of the lease term is zero. The District made monthly payments of $2,101, including principal and interest, and was scheduled to mature on May 31, 2022. During the year ended June 30, 2022, the District paid the capital lease in full.

## Note 7 Other Post-Employment Benefits

### *Plan Description*

The District's defined benefit Other Post-Employment Benefit (OPEB) Plan (Plan) provides lifetime retiree medical coverage to eligible employees who retire from the District with a CalPERS Pension. Coverage is extended to dependents and surviving spouses of eligible retirees. The Plan is a single-employer defined benefit OPEB plan administered by the District. The medical plan benefits are contracted with the California Public Employees' Retirement System under the Public Employees' Medical and Hospital Care Act (PEMHCA). No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

### *Benefits Provided*

The District provides a capped benefit, which varies based on years of service and employee classification. Classified employees who retire directly from the District are eligible to receive a monthly benefit up to $325, with over 25 years of District service. Classified employees with 15-24 years of service receive a monthly benefit up to $275. Classified employees with under 15 years of service receive a monthly benefit up to $225. Management employees who retire directly from the District are eligible to receive a monthly benefit up to $275, with over 25 years of District service. Management employees with 15-24 years of service receive a monthly benefit up to $225. Management employees with under 15 years of service receive a monthly benefit up to $175. Current retirees are subject to caps ranging from $150 per month to $275 per month. One retiree receives the full premium. The District also pays the PEMHCA administrative fee.

### *Employee Covered by Benefit Terms*

At June 30, the following employees were covered by the benefit terms:

| | 2022 | 2021 |
|---|---|---|
| Participating active employees | 32 | 35 |
| Inactive employees or beneficiaries currently receiving benefit payments | 10 | 7 |
| Total plan membership | 42 | 42 |

### *Total OPEB Liability*

The District's total OPEB liability of $1,517,577 and $2,128,882 was measured as of June 30, 2022 and 2021, respectively, and was determined by an actuarial valuation as June 30, 2022 and 2020, respectively.

**San Lorenzo Valley Water District**
**Notes to the Financial Statements, continued**
**For the Fiscal Years Ended June 30, 2022 and 2021**

## Note 7 Other Post-Employment Benefits, continued

### *Actuarial Assumptions and Other Inputs*

As of June 30, 2022 and 2021, the total OPEB liability in the actuarial valuations was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

| | |
|---|---|
| Inflation | 2.26% |
| Salary increases | 2022: 3.00%<br>2021: 3.25% |
| Discount rate | 2022: 3.69<br>2021: 2.16% |
| Healthcare cost trend rates | 2022: actual for 2023 decreasing 0.25% until 6.81% in 2026; then decreasing 0.31% in 2027 and 0.25% in 2028 through 2032 to 5.00%. The rate is at 5.00% from 2032 through 2039; 4.75% from 2040-2054; 4.50% from 2054-2067; and then 4.00% for years 2069 and later<br>2021: 6.85% for 2022 decreasing 0.25% until 4.60% in 2031, and then 4.50% for years 2032 and later |
| Retirees share of benefit-related cost | See benefit provisions |

For the years ended June 30, 2022 and 2021, the discount rate was based on a yield or index for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or better for benefits not covered by plan assets.

Pre-retirement and post-retirement mortality rates were based on the CalPERS 2017 Mortality Table.

### *Changes in the Total OPEB Liability*

| | 2022 | 2021 |
|---|---|---|
| Balance at beginning of year | $ 2,128,882 | 1,990,505 |
| Changes during the year: | | |
| Service cost | 132,185 | 124,074 |
| Interest cost | 48,387 | 46,201 |
| Difference between expected and actual experience | (375,384) | (3,087) |
| Contributions - employer | (42,118) | (48,310) |
| Change in assumptions | (374,375) | 19,499 |
| Net change | (611,305) | 138,377 |
| Balance at end of year | $ 1,517,577 | 2,128,882 |

No changes of benefit terms were noted for the years ended June 30, 2022 and 2021.

# San Lorenzo Valley Water District
## Notes to the Financial Statements, continued
## For the Fiscal Years Ended June 30, 2022 and 2021

## Note 7 Other Post-Employment Benefits, continued

### *Changes in the Total OPEB Liability, continued*

In fiscal year 2022, change in assumptions include the change in the salary increase rate from 3.25% as of June 30, 2021 to 3.00% as of June 30, 2022; discount rate from 2.16% as of June 30, 2021 to 3.69% as of June 30, 2022; and the healthcare cost trend rates from an ultimate rate of 4.50% for years 2032 and later as of June 30, 2021 to 4.00% for years 2069 and later as of June 30, 2022. There have been no other assumption changes since the last measurement date.

In fiscal year 2021, change in assumptions include the change in discount rate from 2.21% as of June 30, 2020 to 2.16% as of June 30, 2021. There have been no other assumption changes since the last measurement date.

### *Sensitivity of the Total OPEB Liability to Changes in the Discount Rate*

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage point higher than the current rate as of June 30, 2022:

| | Discount Rate - 1% 2.69% | Current Discount Rate 3.69% | Discount Rate + 1% 4.69% |
|---|---|---|---|
| Total OPEB liability | $ 1,763,406 | 1,517,577 | 1,320,092 |

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage point higher than the current rate as of June 30, 2021:

| | Discount Rate - 1% 1.16% | Current Discount Rate 2.16% | Discount Rate + 1% 3.16% |
|---|---|---|---|
| Total OPEB liability | $ 2,574,132 | 2,128,882 | 1,783,372 |

## Note 7 Other Post-Employment Benefits, continued

### *Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates*

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate as of June 30, 2022:

| | 1% Decrease from Base Rate | Base Rate | 1% Increase from Base Rate |
|---|---|---|---|
| Net OPEB Liability | $ 1,289,554 | 1,517,577 | 1,813,746 |

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate as of June 30, 2021:

| | 1% Decrease from Base Rate | Base Rate | 1% Increase from Base Rate |
|---|---|---|---|
| Net OPEB Liability | $ 1,951,961 | 2,128,882 | 2,360,468 |

### *OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB*

For the years ended June 30, 2022 and 2021, the District recognized OPEB expense of $166,094 and $234,060, respectively. As of June 30, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| Description | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Difference between expected and actual experience | $ 33,252 | (338,789) | 36,805 | (2,838) |
| Changes in assumptions | 585,396 | (349,775) | 650,548 | (19,150) |
| Total | $ 618,648 | (688,564) | 687,353 | (21,988) |

## Note 7 Other Post-Employment Benefits, continued

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Fiscal Year Ending June 30, | Deferred Outflows (Inflows) of Resources |
|---|---|
| 2022 | $ (14,478) |
| 2023 | (14,478) |
| 2024 | (14,478) |
| 2025 | (10,273) |
| 2026 | (14,651) |
| Thereafter | (1,558) |

## Note 8 Defined Benefit Pension Plan

### *Plan Descriptions*

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan or PERF C) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of a miscellaneous risk pool and a safety risk pool, which are comprised of individual employer miscellaneous and safety plans, respectively. Benefit provisions under the Plan are established by State statute and the District's resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS' website or may be obtained from their executive office at 400 P Street, Sacramento, California 95814.

### *Benefits Provided*

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. Cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

On September 12, 2012, the California Governor signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect on January 1, 2013. The new legislation closed the District's CalPERS 2.0% at 60 Risk Pool Retirement Plan to new employee entrants effective December 31, 2012. All employees hired after January 1, 2013, are eligible for the District's CalPERS 2.0% at 62 Retirement Plan under PEPRA.

**San Lorenzo Valley Water District**
**Notes to the Financial Statements, continued**
**For the Fiscal Years Ended June 30, 2022 and 2021**

## Note 8 Defined Benefit Pension Plan, continued

The District participates in the Plan's miscellaneous risk pool. The provisions and benefits for the Plan's miscellaneous pool in effect at June 30, are summarized as follows:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Classic | PEPRA | Classic | PEPRA |
| Hire date | Prior to January 1, 2011 | On or after January 1, 2013 | Prior to January 1, 2011 | On or after January 1, 2013 |
| Benefit formula | 2.5% @ 55 | 2.0% @ 62 | 2.5% @ 55 | 2.0% @ 62 |
| Benefit vesting schedule | 5 years of service | | 5 years of service | |
| Benefit payments | Monthly for life | | Monthly for life | |
| Retirement age | 50 - 55 | 52 - 62 | 50 - 55 | 52 - 62 |
| Monthly benefits, as a % of eligible compensation | 2.0% to 2.5% | 1.0% to 2.5% | 2.0% to 2.5% | 1.0% to 2.5% |
| Required employee contribution rates | 6.91% | 6.75% | 6.91% | 6.75% |
| Required employer contribution rates | 10.34% | 7.59% | 10.48% | 7.73% |

### *Contributions*

Section 20814(c) of the California Public Employees' Retirement Law requires that employer contribution rates for all public employers be determined on an annual basis by an actuary and shall be effective on July 1, following notice of a change in rates. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30, by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

### *Net Pension Liability*

As of June 30, 2022 and 2021, the District reported net pension liability for its proportionate share of the net pension liability of the Plan as follows:

| | 2022 | 2021 |
|---|---|---|
| Proportionate share of net pension liability | $ 2,236,443 | 4,530,116 |

## Note 8 Defined Benefit Pension Plan, continued

### *Net Pension Liability, continued*

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability for the miscellaneous risk pool. As of June 30, 2022 and 2021, the net pension liability of the Plan is measured as of June 30, 2021 and 2020 (the measurement dates), respectively. The total pension liability for the Plan's miscellaneous risk pool used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 and 2019 (the valuation dates), rolled forward to June 30, 2021 and 2020, respectively, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of the measurement dates June 30, 2021 and 2020, was as follows:

| | Miscellaneous |
|---|---|
| Proportion – June 30, 2019 | 0.04058 % |
| Change in proportion | 0.00105 |
| Proportion – June 30, 2020 | 0.04164 |
| Change in proportion | (0.00028) |
| Proportion – June 30, 2021 | 0.04135 % |

### *Deferred Pension Outflows (Inflows) of Resources*

For the years ended June 30, 2022 and 2021, the District recognized pension expense of $391,010 and $1,006,347, respectively. As of June 30, 2022 and 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| Description | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Pension contributions subsequent to measurement date | $ 694,757 | - | 651,671 | - |
| Differences between actual and expected experience | 250,793 | - | 233,449 | - |
| Change in assumptions | - | - | - | (32,311) |
| Net difference between projected and actual earnings on plan investments | - | (1,952,297) | 134,574 | - |
| Adjustment due to difference in proportions and difference between actual and proportionate share of contributions | - | (8,815) | - | (13,019) |
| Total | $ 945,550 | (1,961,112) | 1,019,694 | (45,330) |

## Note 8 Defined Benefit Pension Plan, continued

### *Deferred Pension Outflows (Inflows) of Resources, continued*

As of June 30, 2022 and 2021, the District reported $694,757 and $651,671, respectively, as deferred outflows of resources related to contributions subsequent to the measurement date. Pension contributions subsequent to the measurement date for the year ended June 30, 2022, will be recognized as a reduction of the net pension liability for the year ended June 30, 2023. Pension contributions subsequent to the measurement date for the year ended June 30, 2021, was be recognized as a reduction of the net pension liability for the year ended June 30, 2022.

As of June 30, 2022, other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows:

| Fiscal Year Ending June 30: | | Deferred Outflows/ (Inflows) of Resources |
|---|---|---|
| 2023 | $ | (360,206) |
| 2024 | | (381,473) |
| 2025 | | (429,126) |
| 2026 | | (539,514) |

### *Actuarial Assumptions*

The total pension liabilities in the June 30, 2020 and 2019, actuarial valuations were determined using the following actuarial assumptions and methods:

| | |
|---|---|
| Valuation dates | June 30, 2020 and 2019 |
| Measurement dates | June 30, 2021 and 2020 |
| Actuarial cost method | Entry Age Normal in accordance with the requirements of GASB Statement No. 68 |
| Actuarial assumptions | |
| Discount rate | 7.15% |
| Inflation | 2.50% |
| Salary increase | Varies by entry age and service |
| Mortality Table* | Derived using CalPERS membership data |
| Period upon which actuarial Experience survey assumptions were based | 1997 – 2015 |
| Post-retirement benefit increase | Contract COLA up to 2.50% until PPPA floor on purchasing power applies; 2.50% thereafter |

# San Lorenzo Valley Water District
## Notes to the Financial Statements, continued
## For the Fiscal Years Ended June 30, 2022 and 2021

## Note 8 Defined Benefit Pension Plan, continued

### *Actuarial Assumptions, continued*

* The mortality table was developed based on CalPERS specific data. The table includes 15 years of mortality improvement using the Society of Actuaries 90 percent of scale MP 2016. For more details on this table, please refer to the December 2017, experience study report (based on CalPERS demographic data from 1997 to 2015) available online on the CalPERS website.

### *Discount Rate*

The discount rate used to measure the total pension liability as of June 30, 2021 and 2020, for the PERF C was 7.15%. This discount rate is not adjusted for administrative expenses.

The PERF C fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return for those pension plan's investments were applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical and forecasted information for all funds' asset classes, expected compound (geometric) returns were calculated over the short term (first 10 years) and the long term (11+ years) using a building-block approach. Using the expected nominal returns for both short term and long term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The table below reflects long-term expected real rates of return by asset class. The rates of return were calculated using the capital market assumptions applied to determine the discount rate.

| Asset Class | Assumed Asset Allocation | Real Return Years 1-10 | Real Return Years 11+ |
|---|---|---|---|
| Global equity | 50.00 % | 4.80 % | 5.98 % |
| Fixed income | 28.00 | 1.00 | 2.62 |
| Inflation assets | 0.00 | 0.77 | 1.81 |
| Private equity | 8.00 | 6.30 | 7.23 |
| Real assets | 13.00 | 3.75 | 4.93 |
| Liquidity | 1.00 | 0.00 | (0.92) |
| | 100.00 % | | |

## Note 8 Defined Benefit Pension Plan, continued

***Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate***

The following table presents the District's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the District's proportionate share of the net pension liability would be if it was calculated using a discount rate that is one-percentage point lower or one-percentage point higher than the current rate as of June 30, 2022:

| | Discount Rate - 1% 6.15% | Current Discount Rate 7.15% | Discount Rate + 1% 8.15% |
|---|---|---|---|
| District's net pension liability | $ 3,921,040 | 2,236,443 | (87,564) |

The following table presents the District's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the District's proportionate share of the net pension liability would be if it was calculated using a discount rate that is one-percentage point lower or one-percentage point higher than the current rate as of June 30, 2021:

| | Discount Rate - 1% 6.15% | Current Discount Rate 7.15% | Discount Rate + 1% 8.15% |
|---|---|---|---|
| District's net pension liability | $ 7,220,186 | 4,530,116 | 2,307,397 |

***Pension Plan Fiduciary Net Position***

Detailed information about the pension plan's fiduciary net position is available in separately issued CalPERS financial reports. See pages 61 through 63 for the Required Supplementary Information.

**San Lorenzo Valley Water District**
**Notes to the Financial Statements, continued**
**For the Fiscal Years Ended June 30, 2022 and 2021**

## Note 9 Net Position

Calculation of net position as of June 30, was as follows:

| | | 2022 | 2021 |
|---|---|---|---|
| Net investment in capital assets: | | | |
| Capital assets, net | $ | 45,297,765 | 44,402,883 |
| Loans payable | | (18,497,385) | (19,429,630) |
| Bonds payable | | - | (103,247) |
| Certificate of participation | | (14,353,548) | (14,628,127) |
| Capital lease payable | | - | (22,933) |
| Funds from bank loan | | 12,858,941 | 13,316,962 |
| Funds from certificate of participation | | 9,392,192 | 10,335,720 |
| Total net investment in capital assets | | 34,697,965 | 33,871,628 |
| Restricted net position: | | | |
| Restricted for debt service | | 23,601,430 | 24,278,757 |
| Funds from bank loan | | (12,858,941) | (13,316,962) |
| Funds from certificate of participation | | (9,392,192) | (10,335,720) |
| Total restricted net position | | 1,350,297 | 626,075 |
| Unrestricted net position: | | | |
| Non-spendable net position | | | |
| Materials and supplies inventory | | 289,758 | 296,125 |
| Total non-spendable net position | | 289,758 | 296,125 |
| Spendable net position designated for the following purpose: | | | |
| Assessment reserve fund | | 241,066 | 323,953 |
| Spendable net position are designated as follows: | | | |
| Unrestricted | | 3,896,078 | 2,528,534 |
| Total unrestricted net position | | 4,426,902 | 3,148,612 |
| Total net position | $ | 40,475,164 | 37,646,315 |

## Note 10 Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District, a member of the Special District Risk Management Authority (SDRMA), has purchased various insurance policies to manage the potential liabilities that may occur from the previously named sources. SDRMA's purpose is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage.

## Note 10 Risk Management, continued

At June 30, 2022, the District participated in the liability and property programs of the SDRMA as follows:

- General and automotive liability: $5,000,000 per occurrence with $500-$1,000 per occurrence for third party general liability property damage.
- Public officials and employees' errors and omissions: $5,000,000 per occurrence with 50% co-insurance of cost expended by SDRMA, in excess of $10,000 up to $50,000 per occurrence for employment related claims. However, 100% of the obligation will be waived if certain criteria are met.
- Public officials' personal liability: $500,000 per occurrence with $500,000 annual aggregate limit per each elected/appointed official and a deductible of $500 per claim.
- Employment practices and benefits liability: $5,000,000 per occurrence with 50% co-insurance of cost expended by SDRMA, in excess of $10,000 up to $50,000 per occurrence for employment related claims. However, 100% of the obligation will be waived if certain criteria are met.
- Employee dishonesty coverage: $1,000,000 per loss includes public employee dishonesty, forgery or alteration and theft, disappearance and destruction coverage.
- Property loss: $1,000,000,000 per occurrence with a $2,000 deductible per occurrence.
- Boiler and machinery: $100,000,000 per occurrence with a $1,000 deductible.
- Workers compensation: $5,000,000 each accident or each employee by disease.

## Note 11 Governmental Accounting Standards Board Statements Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the report date, that have effective dates that may impact future financial presentations.

***Governmental Accounting Standards Board Statement No. 91***

In May 2019, the GASB issued Statement No. 91 – *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

## Note 11 Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

### *Governmental Accounting Standards Board Statement No. 91, continued*

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2020; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged.

### *Governmental Accounting Standards Board Statement No. 94*

In March 2020, the GASB issued Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

### *Governmental Accounting Standards Board Statement No. 96*

In May 2020, the GASB issued Statement No. 96 – *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

**San Lorenzo Valley Water District**
**Notes to the Financial Statements, continued**
**For the Fiscal Years Ended June 30, 2022 and 2021**

## Note 11 Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

***Governmental Accounting Standards Board Statement No. 97***

In June 2020, the GASB issued Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 41 and No. 84, and a supersession of GASB Statement No. 32.* The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement. The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance.

***Governmental Accounting Standards Board Statement No. 99***

In April 2022, the GASB issued Statement No. 99 – *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

# San Lorenzo Valley Water District
## Notes to the Financial Statements, continued
## For the Fiscal Years Ended June 30, 2022 and 2021

## Note 11 Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

***Governmental Accounting Standards Board Statement No. 99, continued***

The requirements of this Statement that are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

***Governmental Accounting Standards Board Statement No. 100***

In June 2022, the GASB issued Statement No. 100 – *Accounting Changes and Error Corrections—An Amendment of GASB Statement No. 62.* The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

This Statement defines *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

***Governmental Accounting Standards Board Statement No. 101***

In June 2022, the GASB issued Statement No. 101 – *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

## Note 12 Commitments and Contingencies

***Grant Awards***

Grant funds received by the District are subject to audits by grantor agencies. Such an audit could lead to requests for reimbursements to grantor agencies for expenditures disallowed under terms of the grant. Management of the District believes that such disallowances, if any, would not be significant.

***Litigation***

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

## Note 13 Subsequent Event

Events occurring after June 30, 2022, have been evaluated for possible adjustment to the financial statements or disclosure as of December 15, 2022, which is the date the financial statements were available to be issued.

# Required Supplementary Information

# San Lorenzo Valley Water District
## Schedules of Changes in Total OPEB Liability and Related Ratios
## For the Years Ended June 30, 2022
## Last Ten Years*

## Defined Benefit OPEB Plan

| | Fiscal Years Ended | | | | |
|---|---|---|---|---|---|
| | 2022 | 2021 | 2020 | 2019 | 2018 |
| Total OPEB liability | | | | | |
| Service cost | $ 132,185 | 124,074 | 87,353 | 66,682 | 69,318 |
| Interest | 48,387 | 46,201 | 37,710 | 36,676 | 30,730 |
| Difference between expected and actual experience | (375,384) | (3,087) | 43,911 | | |
| Assumption changes | (374,375) | 19,499 | 725,854 | 38,770 | (37,834) |
| Benefit payments | (42,118) | (48,310) | (43,216) | (32,501) | (29,229) |
| Net change in total OPEB liability | (611,305) | 138,377 | 851,612 | 109,627 | 32,985 |
| Total OPEB liability – beginning of year | 2,128,882 | 1,990,505 | 1,138,893 | 1,029,266 | 996,281 |
| Total OPEB liability – end of year | $ 1,517,577 | 2,128,882 | 1,990,505 | 1,138,893 | 1,029,266 |
| Covered payroll | $ 3,298,337 | 3,436,900 | 3,395,754 | 3,092,118 | 2,962,700 |
| Total OPEB liability as a percentage of covered payroll | 46.01% | 61.94% | 58.62% | 36.83% | 34.74% |

## Notes to Schedule

### *Change in Benefit Terms*

There was no change in benefit terms.

### *Change of Assumptions and Methods*

In fiscal year 2022, change in assumptions include the change in the salary increase rate from 3.25% as of June 30, 2021 to 3.00% as of June 30, 2022; discount rate from 2.16% as of June 30, 2021 to 3.69% as of June 30, 2022; and the healthcare cost trend rates from an ultimate rate of 4.50% for years 2032 and later as of June 30, 2021 to 4.00% for years 2069 and later as of June 30, 2022.

In fiscal year 2021, change in assumptions include the change in discount rate from 2.21% as of June 30, 2020 to 2.16%.

In fiscal year 2020, change of assumptions and other inputs reflect a change in the average per capita claims cost which was updated to reflect actual 2020 and 2021 premiums, the health care cost trend rate was updated to reflect 2018 industry survey data, the mortality, withdrawal, disablement, and retirement tables was updated to reflect the 2017 CalPERS studies. The population for curving and morbidity factors have also been updated to the 2017 CalPERS study. The discount rate changed from 3.13% as of June 30, 2019 to 2.21% as of June 30, 2020. Other assumptions due to change in actuaries may include future retiree participation assumption and PEMHCA Minimum trend.

* The District has presented information for those years for which information is available until a full 10-year trend is compiled.

**San Lorenzo Valley Water District**
**Schedules of the District's Proportionate Share of the Net Pension Liability**
**As of June 30, 2022**
**Last Ten Years***

## Defined Benefit Pension Plan

| Description | Measurement Dates 6/30/2021 | 6/30/2020 | 6/30/2019 | 6/30/2018 | 6/30/2017 | 6/30/2016 | 6/30/2015 | 6/30/2014 |
|---|---|---|---|---|---|---|---|---|
| District's proportion of the net pension liability | 0.04135% | 0.04164% | 0.04058% | 0.03949% | 0.04003% | 0.04058% | 0.03675% | 0.03675% |
| District's proportionate share of the net pension liability | $ 2,236,443 | 4,530,116 | 4,158,344 | 3,805,659 | 3,969,598 | 3,511,169 | 2,522,518 | 2,307,630 |
| District's covered payroll | $ 3,298,097 | 3,410,477 | 3,100,397 | 2,701,505 | 2,524,999 | 2,446,674 | 2,319,224 | 1,995,604 |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 67.81% | 132.83% | 134.12% | 140.87% | 157.21% | 143.51% | 108.77% | 115.64% |
| Plan's fiduciary net position as a percentage of the total pension liability | 88.29% | 75.10% | 75.26% | 75.26% | 76.96% | 78.58% | 83.20% | 83.03% |

## Notes to the Schedules of the District's Proportionate Share of Net Pension Liability

***Changes in Benefit Terms***

Public agencies can make changes to their plan provisions, and such changes occur on an ongoing basis. A summary of the plan provisions that were used for a specific plan can be found in the plan's annual valuation report.

***Change of Assumptions and Methods***

In fiscal year 2021, there were no changes to actuarial assumptions or methods.

The CalPERS Board of Administration adopted a new amortization policy effective with the June 30, 2019, actuarial valuation. The new policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed as a level dollar amount. In addition, the new policy does not utilize a five-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non-investment gains/losses. The new policy also does not utilize a five-year ramp-down on investment gains/losses. These changes will apply only to new UAL bases established on or after June 30, 2019. In fiscal year 2020, no changes have occurred to the actuarial assumptions in relation to financial reporting.

In fiscal year 2020, CalPERS implemented a new actuarial valuation software system for the June 30, 2018 valuation. This new system has refined and improved calculation methodology.

**San Lorenzo Valley Water District**
**Schedules of the District's Proportionate Share of the Net Pension Liability, continued**
**As of June 30, 2022**
**Last Ten Years***

## Notes to the Schedules of the District's Proportionate Share of Net Pension Liability

***Change of Assumptions and Methods, continued***

In December 2017, the CalPERS Board adopted new mortality assumptions for plans participating in the PERF. The new mortality table was developed from the December 2017 experience study and includes 15 years of projected ongoing mortality improvement using 90% of scale MP 2016 published by the Society of Actuaries. The inflation assumption is reduced from 2.75% to 2.50%.

The assumptions for individual salary increases and overall payroll growth are reduced from 3.00% to 2.75%. These changes will be implemented in two steps commencing in the June 30, 2017 funding valuation. However, for financial reporting purposes, these assumption changes are fully reflected in the results for fiscal year 2018.

In fiscal year 2017, the financial reporting discount rate for the PERF C was lowered from 7.65% to 7.15%. In December 2016, the CalPERS Board approved lowering the funding discount rate used in the PERF C from 7.50% to 7.00%, which is to be phased in over a three-year period (7.50% to7.375%, 7.375% to 7.25%, and 7.25% to 7.00%) beginning with the June 30, 2016, valuation reports. The funding discount rate includes a 15 basis-point reduction for administrative expenses, and the remaining decrease is consistent with the change in the financial reporting discount rate.

In fiscal year 2015, the financial reporting discount rate was increased from 7.50% to 7.65% resulting from eliminating the 15 basis-point reduction for administrative expenses. The funding discount rate remained at 7.50% during this period, and remained adjusted for administrative expenses.

* The District has presented information for those years for which information is available until a full 10- year trend is compiled.

# San Lorenzo Valley Water District
## Schedules of Pension Plan Contributions
## As of June 30, 2022
## Last Ten Years*

### Defined Benefit Pension Plan

| Description | | Fiscal Years Ended | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | 6/30/2022 | 6/30/2021 | 6/30/2020 | 6/30/2019 | 6/30/2018 | 6/30/2017 | 6/30/2016 | 6/30/2015 |
| Actuarially determined contribution | $ | 694,757 | 651,671 | 544,811 | 486,796 | 433,466 | 324,612 | 282,083 | 284,005 |
| Contributions in relation to the actuarially determined contribution | | (694,757) | (651,671) | (544,811) | (486,796) | (427,195) | (522,774) | (172,110) | (232,831) |
| Contribution deficiency(excess) | $ | - | - | - | - | 6,271 | (198,162) | 109,973 | 51,174 |
| District's covered payroll | $ | 3,298,097 | 3,410,477 | 3,100,397 | 2,901,753 | 2,701,505 | 2,524,999 | 2,446,674 | 2,319,224 |
| Contribution's as a percentage of covered payroll | | 21.07% | 19.11% | 17.57% | 16.78% | 15.81% | 20.70% | 7.03% | 10.04% |

### Notes to the Schedule of Pension Plan Contributions

* The District has presented information for those years for which information is available until a full 10-year trend is compiled.

# Supplemental Information

# San Lorenzo Valley Water District
## Combining Schedules of Net Position
## June 30, 2022 and 2021

| | Water Fund | Sewer Fund | 2022 | Water Fund | Sewer Fund | 2021 |
|---|---|---|---|---|---|---|
| **Current assets:** | | | | | | |
| Cash & cash equivalents | $ 164,214 | - | 164,214 | 848,935 | - | 848,935 |
| Cash & cash equivalents – restricted | 23,601,430 | - | 23,601,430 | 24,278,757 | - | 24,278,757 |
| Accrued interest receivable | 158 | - | 158 | 69 | - | 69 |
| Investments | 5,719,782 | - | 5,719,782 | 4,085,651 | - | 4,085,651 |
| Accounts receivable – water sales and services, net | 1,880,582 | - | 1,880,582 | 1,896,188 | - | 1,896,188 |
| Accounts receivable – property taxes | 18,840 | - | 18,840 | 67 | - | 67 |
| Accounts receivable – grant funding | 3,003,894 | - | 3,003,894 | 3,006,275 | - | 3,006,275 |
| Accounts receivable – other | 15,378 | - | 15,378 | 13,416 | - | 13,416 |
| Internal balances | 32,561 | (32,561) | - | 72,199 | (72,199) | - |
| Prepaid expenses | 20,716 | - | 20,716 | 76,608 | 344 | 76,952 |
| Materials and supplies inventory | 289,758 | - | 289,758 | 296,125 | - | 296,125 |
| **Total current assets** | 34,747,313 | (32,561) | 34,714,752 | 34,574,290 | (71,855) | 34,502,435 |
| **Non-current assets:** | | | | | | |
| Investments in joint-powers authorities | 76,962 | - | 76,962 | 52,189 | - | 52,189 |
| Capital assets – not being depreciated | 10,455,895 | 116,222 | 10,572,117 | 12,245,578 | 116,222 | 12,361,800 |
| Capital assets – being depreciated | 34,508,694 | 216,954 | 34,725,648 | 31,796,222 | 244,861 | 32,041,083 |
| **Total non-current assets** | 45,041,551 | 333,176 | 45,374,727 | 44,093,989 | 361,083 | 44,455,072 |
| **Total assets** | 79,788,864 | 300,615 | 80,089,479 | 78,668,279 | 289,228 | 78,957,507 |
| **Deferred outflows of resources** | | | | | | |
| Deferred OPEB outflows | 618,648 | - | 618,648 | 687,353 | - | 687,353 |
| Deferred pension outflows | 945,550 | - | 945,550 | 1,019,694 | - | 1,019,694 |
| **Total deferred outflows of resources** | $ 1,564,198 | - | 1,564,198 | 1,707,047 | - | 1,707,047 |

Continued on next page

# San Lorenzo Valley Water District
## Combining Schedules of Net Position, continued
## June 30, 2022 and 2021

| | Water Fund | Sewer Fund | 2022 | Water Fund | Sewer Fund | 2021 |
|---|---|---|---|---|---|---|
| **Current liabilities:** | | | | | | |
| Accounts payable and accrued expense | $ 816,431 | 3,401 | 819,832 | 917,885 | 2,895 | 920,780 |
| Accrued wages and related payables | 155,164 | - | 155,164 | 114,408 | - | 114,408 |
| Unearned revenues – customer deposits | 90,861 | - | 90,861 | 105,952 | - | 105,952 |
| Unearned revenues – construction deposits | 13,978 | - | 13,978 | 8,579 | - | 8,579 |
| Accrued interest payable | 306,141 | - | 306,141 | 324,155 | - | 324,155 |
| Long-term liabilities – due in one year: | | | | | | |
| Compensated absences | 193,647 | - | 193,647 | 228,279 | - | 228,279 |
| Loans payable | 957,469 | - | 957,469 | 933,031 | - | 933,031 |
| Bonds payable | - | - | - | 103,247 | - | 103,247 |
| Certificate of participation | 260,000 | | 260,000 | 245,000 | - | 245,000 |
| Capital lease payable | - | - | - | 22,828 | - | 22,828 |
| **Total current liabilities** | 2,793,691 | 3,401 | 2,797,092 | 3,003,364 | 2,895 | 3,006,259 |
| **Non-current liabilities:** | | | | | | |
| Long-term liabilities – due in more than one year: | | | | | | |
| Compensated absences | 344,261 | - | 344,261 | 405,830 | - | 405,830 |
| Loans payable | 17,539,916 | - | 17,539,916 | 18,496,599 | - | 18,496,599 |
| Certificate of participation | 14,093,548 | | 14,093,548 | 14,383,127 | - | 14,383,127 |
| Capital lease payable | - | - | - | 105 | - | 105 |
| Net OPEB liability | 1,517,577 | - | 1,517,577 | 2,128,882 | - | 2,128,882 |
| Net pension liability | 2,236,443 | - | 2,236,443 | 4,530,116 | - | 4,530,116 |
| **Total non-current liabilities** | 35,731,745 | - | 35,731,745 | 39,944,659 | - | 39,944,659 |
| **Total liabilities** | 38,525,436 | 3,401 | 38,528,837 | 42,948,023 | 2,895 | 42,950,918 |
| **Deferred inflows of resources** | | | | | | |
| Deferred OPEB inflows | 688,564 | - | 688,564 | 21,988 | - | 21,988 |
| Deferred pension inflows | 1,961,112 | - | 1,961,112 | 45,330 | - | 45,330 |
| **Total deferred inflows of resources** | 2,649,676 | - | 2,649,676 | 67,318 | - | 67,318 |
| **Net position** | | | | | | |
| Net investment in capital assets | 34,364,789 | 333,176 | 34,697,965 | 33,510,545 | 361,083 | 33,871,628 |
| Restricted for debt service | 1,350,297 | - | 1,350,297 | 626,075 | - | 626,075 |
| Unrestricted (deficit) | 4,462,864 | (35,962) | 4,426,902 | 3,223,365 | (74,750) | 3,148,615 |
| **Total net position** | $ 40,177,950 | 297,214 | 40,475,164 | 37,359,985 | 286,333 | 37,646,318 |

# San Lorenzo Valley Water District
## Combining Schedules of Revenues, Expenses, and Changes in Net Position
## For the Years Ended June 30, 2022 and 2021

| | Water Fund | Sewer Fund | 2022 | Water Fund | Sewer Fund | 2021 |
|---|---|---|---|---|---|---|
| **Operating revenues:** | | | | | | |
| Water consumption sales | $ 11,902,044 | - | 11,902,044 | 11,139,017 | - | 11,139,017 |
| Wastewater service | - | 173,034 | 173,034 | - | 161,007 | 161,007 |
| Meter sales, charges, and penalties | 156,402 | - | 156,402 | 157,486 | - | 157,486 |
| Other charges and services | 591 | - | 591 | 5,119 | - | 5,119 |
| **Total operating revenues** | 12,059,037 | 173,034 | 12,232,071 | 11,301,622 | 161,007 | 11,462,629 |
| **Operating expenses:** | | | | | | |
| Salaries and benefits | 5,259,415 | 48,591 | 5,308,006 | 6,001,822 | 34,608 | 6,036,430 |
| Professional services | 1,538,973 | 43,079 | 1,582,052 | 1,787,628 | 35,527 | 1,823,155 |
| Operational | 463,555 | 15,213 | 478,768 | 495,502 | 13,661 | 509,163 |
| Maintenance | 202,231 | 1,392 | 203,623 | 199,490 | 1,356 | 200,846 |
| Facilities | 633,587 | 8,745 | 642,332 | 687,839 | 10,390 | 698,229 |
| General and administrative | 434,997 | 1,650 | 436,647 | 425,014 | 1,580 | 426,594 |
| **Total operating expenses** | 8,532,758 | 118,670 | 8,651,428 | 9,597,295 | 97,122 | 9,694,417 |
| Operating income before overhead absorption | 3,526,279 | 54,364 | 3,580,643 | 1,704,327 | 63,885 | 1,768,212 |
| Overhead absorption | 180,218 | - | 180,218 | 379,539 | - | 379,539 |
| Operating income before depreciation expense | 3,706,497 | 54,364 | 3,760,861 | 2,083,866 | 63,885 | 2,147,751 |
| Depreciation expense | (1,794,759) | (43,483) | (1,838,242) | (1,686,053) | (42,001) | (1,728,054) |
| **Operating income** | 1,911,738 | 10,881 | 1,922,619 | 397,813 | 21,884 | 419,697 |
| **Non-operating revenues(expenses):** | | | | | | |
| Property taxes | 896,170 | - | 896,170 | 847,676 | - | 847,676 |
| Assessment revenues | 343,333 | - | 343,333 | 343,086 | - | 343,086 |
| Investment earnings | 126,229 | - | 126,229 | 131,657 | - | 131,657 |
| Change in investment in Santa Margarita Groundwater Agency | (17,227) | - | (17,227) | (153,963) | - | (153,963) |
| Operating grant | 151,076 | - | 151,076 | 334,681 | - | 334,681 |
| Rental revenues | 54,840 | - | 54,840 | 50,558 | - | 50,558 |
| Bond issuance expense | - | - | - | (55,000) | - | (55,000) |
| Interest expense | (952,956) | - | (952,956) | (772,887) | - | (772,887) |
| Gain(Loss) on disposition of capital assets | (101,873) | - | (101,873) | 13,706 | - | 13,706 |
| Other non-operating revenues | 9,428 | - | 9,428 | 6,942 | - | 6,942 |
| **Total non-operating revenues, net** | 509,020 | - | 509,020 | 746,456 | - | 746,456 |
| **Net income before capital contributions** | 2,420,758 | 10,881 | 2,431,639 | 1,144,269 | 21,884 | 1,166,153 |
| **Capital contributions:** | | | | | | |
| Capital grants - other governments | 397,207 | - | 397,207 | 3,031,227 | - | 3,031,227 |
| **Total capital contributions** | 397,207 | - | 397,207 | 3,031,227 | - | 3,031,227 |
| **Changes in net position** | 2,817,965 | 10,881 | 2,828,846 | 4,175,496 | 21,884 | 4,197,380 |
| **Net position, beginning of year** | 37,359,985 | 286,333 | 37,646,318 | 33,184,489 | 264,449 | 33,448,938 |
| **Net position, end of year** | $ 40,177,950 | 297,214 | 40,475,164 | 37,359,985 | 286,333 | 37,646,318 |

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# Statistical Information Section

# San Lorenzo Valley Water District
## Statistical Section

This part of the District's annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements and note disclosures says about the District's overall financial health.

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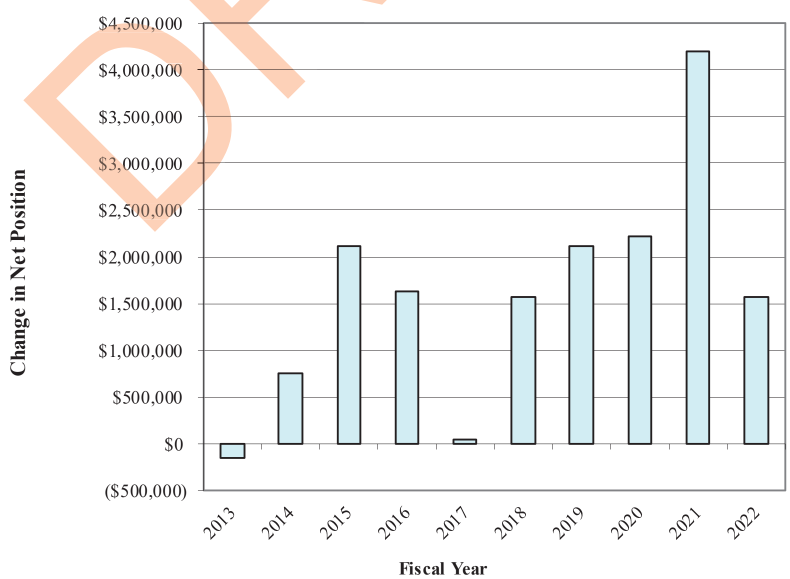
| Financial Trends<br>These schedules contain information to help the reader understand how the District's financial performance and well-being have changed over time. | 68-71 |
| Revenue Capacity<br>These schedules contain information to help the reader assess the District's most significant own-source revenue, water sales. | 72-75 |
| Debt Capacity<br>These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future. | 76-77 |
| Employee Related Liabilities<br>This schedule presents information to help the reader assess the District's unfunded employee liabilities for pension and other post-employment benefits. | 78 |
| Demographic Information<br>This schedule offers demographic indicators to help the reader understand the environment within which the District's financial activities take place. | 79 |
| Operating Information<br>This schedule contains service and infrastructure data to help the reader understand how the information in the District's financial report relates to the service the District provides. | 80-81 |

# San Lorenzo Valley Water District
# Changes in Net Position
# Last Ten Fiscal Years

**Schedule 1**

| | Fiscal Year 2013 | 2014 | 2015 |
|---|---|---|---|
| Changes in net position: | | | |
| Operating revenues (see Schedule 2) | $ 5,544,632 | 5,838,488 | 5,643,471 |
| Operating expenses (see Schedule 3) | (4,736,829) | (5,173,764) | (5,552,334) |
| Overhead absorption | 48,543 | 132,347 | 24,644 |
| Depreciation and amortization | (1,293,732) | (1,172,504) | (1,139,110) |
| **Operating income(loss)** | (437,386) | (375,433) | (1,023,329) |
| Non-operating revenues(expenses) | | | |
| Property taxes | 459,834 | 478,632 | 527,308 |
| Rental income | 28,461 | 30,378 | 29,713 |
| Assessment Revenue | - | - | 235,444 |
| Investment income/(loss) | (80,321) | 159,023 | (1,909) |
| Change in investemnt in SMGWA | - | - | - |
| Operating grant | - | - | - |
| Amortization of deferred charges | - | - | - |
| Gain/(Loss) on sale/disposition of assets | 1,874 | 2,000 | 34,499 |
| Interest expense | (211,233) | (295,513) | (127,850) |
| Endowment revenue (expense) | - | - | - |
| Other revenue/(expense), net | 85,369 | 3,352 | 145,257 |
| Total non-operating revenues(expenses), net | 283,984 | 377,872 | 842,462 |
| **Net income(loss) before capital contributions** | (153,402) | 2,439 | (180,867) |
| Capital contributions | | 753,600 | 2,287,233 |
| **Changes in net position** | $ (153,402) | 756,039 | 2,106,366 |
| Net position by component: | | | |
| Net investment in capital assets | $ 18,309,392 | 18,981,706 | 23,227,784 |
| Restricted | 355,162 | 168,185 | 229,790 |
| Unrestricted | 6,898,478 | 7,169,180 | 2,120,592 |
| **Total net position** | $ 25,563,032 | 26,319,071 | 25,578,166 |





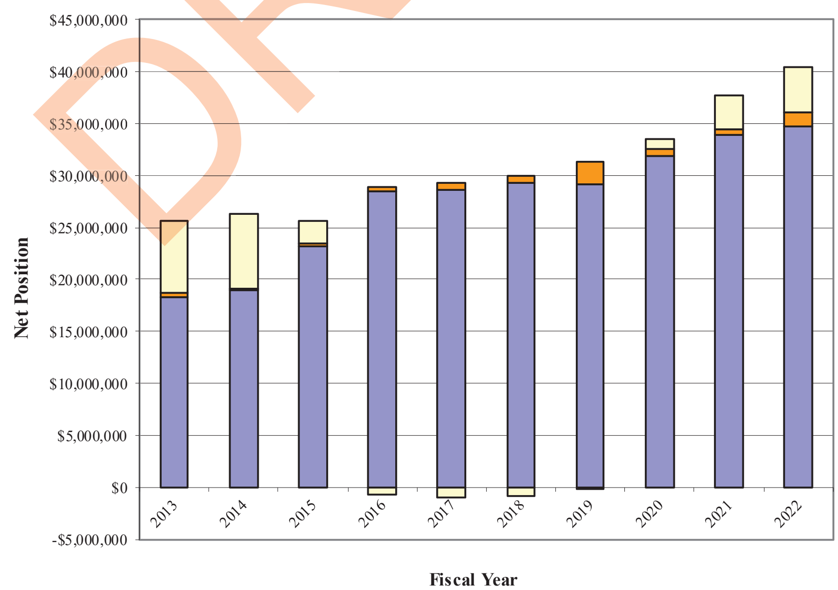

**Source:** SLVWD Finance Department

# San Lorenzo Valley Water District
# Changes in Net Position, continued
# Last Ten Fiscal Years

**Schedule 1**

**Fiscal Year**

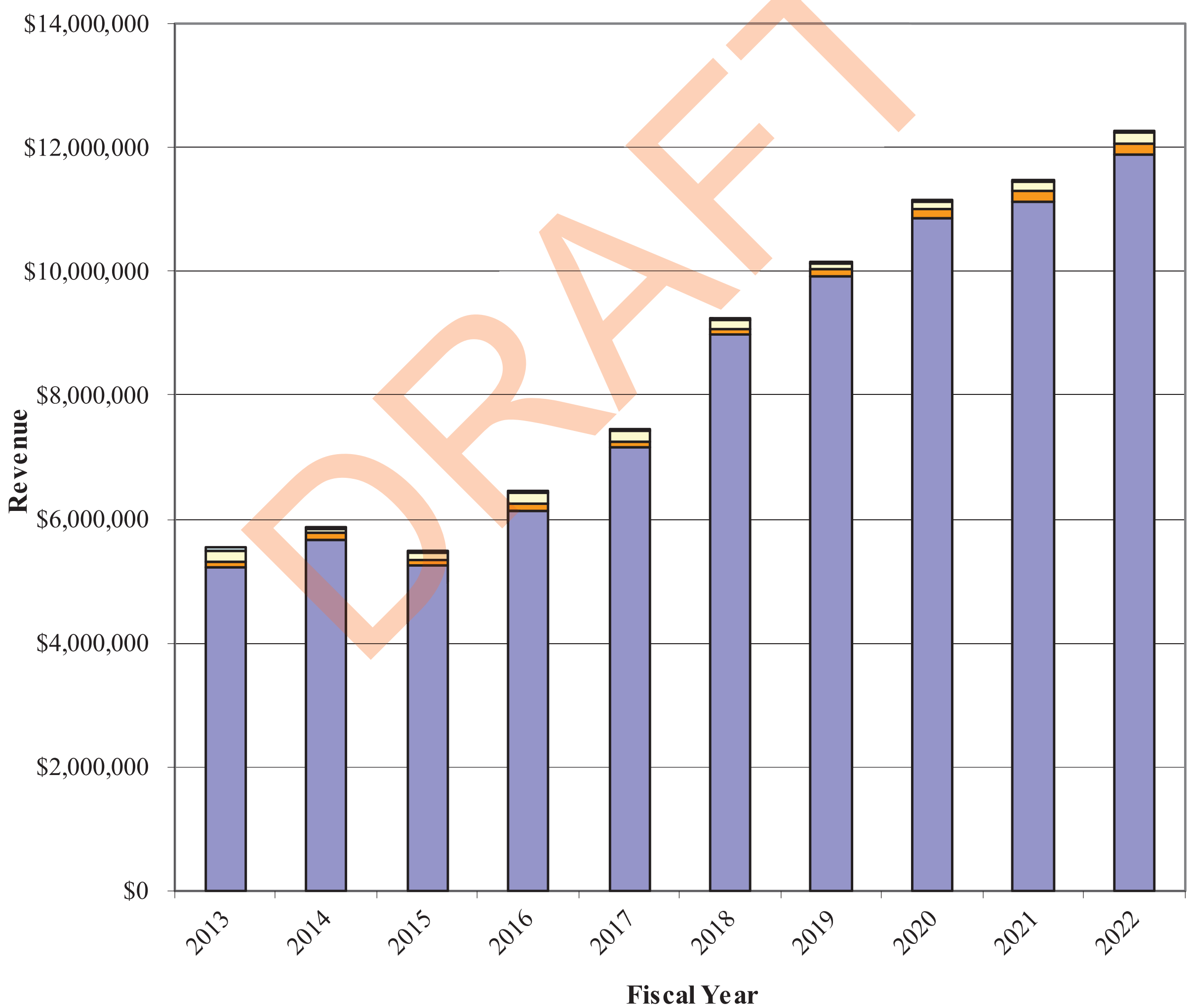
| 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|
| 6,456,181 | 7,446,130 | 9,215,364 | 10,130,799 | 11,135,904 | 11,462,629 | 12,232,071 |
| (5,560,839) | (7,109,458) | (7,591,791) | (7,341,031) | (7,924,554) | (9,694,417) | (8,651,428) |
| 19,637 | 74,683 | 163,697 | 146,321 | 231,862 | 379,539 | 180,218 |
| (1,326,056) | (1,417,477) | (1,640,273) | (1,563,805) | (1,582,370) | (1,728,054) | (1,838,242) |
| (411,076) | (1,006,122) | 146,997 | 1,372,284 | 1,860,842 | 419,697 | 1,922,619 |
| 577,023 | 707,262 | 731,146 | 780,466 | 813,051 | 847,676 | 896,170 |
| 43,921 | 61,851 | 56,647 | 44,042 | 44,047 | 50,558 | 54,840 |
| 33,611 | 358,469 | 349,130 | 350,694 | 349,254 | 343,086 | 343,333 |
| 11,502 | 13,858 | 23,040 | 86,733 | 333,478 | 131,657 | 126,229 |
| - | - | (39,970) | (123,148) | (178,740) | (153,963) | (17,227) |
| - | - | - | - | - | 334,681 | 151,076 |
| - | - | - | - | - | - | - |
| - | - | - | (320,408) | 1,786 | 13,706 | (101,873) |
| (185,411) | (166,204) | (150,507) | (153,662) | (638,604) | (772,887) | (952,956) |
| - | - | - | - | 4,426 | 6,942 | 9,428 |
| - | 71,804 | 16,258 | (89) | (412,354) | (55,000) | - |
| 480,647 | 1,047,040 | 985,744 | 664,629 | 316,344 | 746,456 | 509,020 |
| 69,570 | 40,918 | 1,132,741 | 2,036,913 | 2,177,186 | 1,166,153 | 2,431,639 |
| 1,557,589 | - | 434,908 | 71,625 | 44,240 | 3,031,227 | 397,207 |
| 1,627,159 | 40,918 | 1,567,649 | 2,108,538 | 2,221,426 | 4,197,380 | 2,828,846 |
| 28,535,901 | 28,551,697 | 29,278,749 | 29,092,752 | 31,913,552 | 33,871,628 | 34,697,965 |
| 403,624 | 686,020 | 637,205 | 2,231,220 | 667,387 | 626,075 | 1,350,297 |
| (725,008) | (982,282) | (796,980) | (96,460) | 867,999 | 3,148,615 | 4,426,902 |
| 28,214,517 | 28,255,435 | 29,118,974 | 31,227,512 | 33,448,938 | 37,646,318 | 40,475,164 |



# San Lorenzo Valley Water District
# Operating Revenue by Source
# Last Ten Fiscal Years

**Schedule 2**

| Fiscal Year | Water Services | Wastewater Services | Meter Sales, Charges and Penalties | Other Charges and Services | Total Operating Revenue |
|---|---|---|---|---|---|
| 2013 | 5,226,845 | 98,653 | 155,973 | 63,161 | 5,544,632 |
| 2014 | 5,669,459 | 101,637 | 54,111 | 13,281 | 5,838,488 |
| 2015 | 5,237,534 | 100,088 | 124,896 | 16,372 | 5,478,890 |
| 2016 | 6,145,076 | 98,262 | 194,444 | 18,399 | 6,456,181 |
| 2017 | 7,157,650 | 102,107 | 178,632 | 7,741 | 7,446,130 |
| 2018 | 8,983,340 | 100,138 | 128,305 | 3,581 | 9,215,364 |
| 2019 | 9,917,657 | 111,820 | 99,464 | 1,858 | 10,130,799 |
| 2020 | 10,865,193 | 134,148 | 135,129 | 1,434 | 11,135,904 |
| 2021 | 11,139,017 | 161,007 | 157,486 | 5,119 | 11,462,629 |
| 2022 | 11,902,044 | 173,034 | 156,402 | 591 | 12,232,071 |



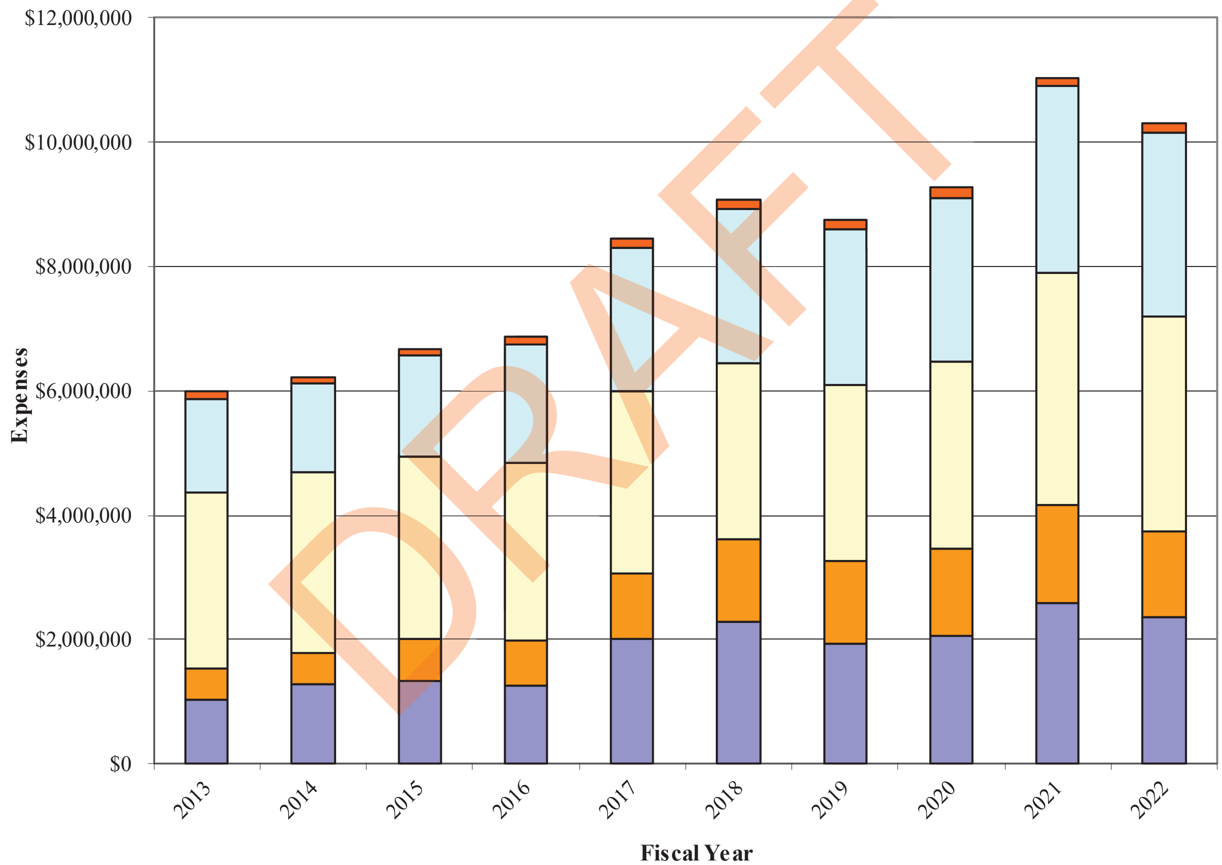



**Source:** SLVWD Finance Department

# San Lorenzo Valley Water District
# Operating Expenses by Activity
# Last Ten Fiscal Years

**Schedule 3**

| Fiscal Year | General and Administrative | Finance Customer Service | Transmission and Distribution | Water Treatment | Wastewater Fund | Total Operating Expenses |
|---|---|---|---|---|---|---|
| 2012 | 977,775 | 500,906 | 2,837,272 | 1,258,211 | 118,667 | 5,692,831 |
| 2013 | 1,042,651 | 502,235 | 2,811,020 | 1,515,459 | 110,653 | 5,982,018 |
| 2014 | 1,281,334 | 504,981 | 2,901,718 | 1,430,749 | 95,139 | 6,213,921 |
| 2015 | 1,334,189 | 681,895 | 2,925,734 | 1,622,687 | 102,296 | 6,666,800 |
| 2016 | 1,265,030 | 719,525 | 2,850,569 | 1,908,139 | 123,998 | 6,867,261 |
| 2017 | 2,002,222 | 1,060,345 | 2,937,280 | 2,289,576 | 162,829 | 8,452,252 |
| 2018 | 2,274,942 | 1,347,160 | 2,817,296 | 2,483,050 | 145,919 | 9,068,367 |
| 2019 | 1,930,348 | 1,343,423 | 2,827,059 | 2,511,399 | 146,286 | 8,758,515 |
| 2020 | 2,068,644 | 1,403,739 | 3,009,754 | 2,618,387 | 174,538 | 9,275,062 |
| 2021 | 2,583,602 | 1,590,555 | 3,724,751 | 3,004,901 | 139,123 | 11,042,932 |
| 2022 | 2,356,670 | 1,392,242 | 3,438,276 | 2,960,111 | 162,153 | 10,309,452 |

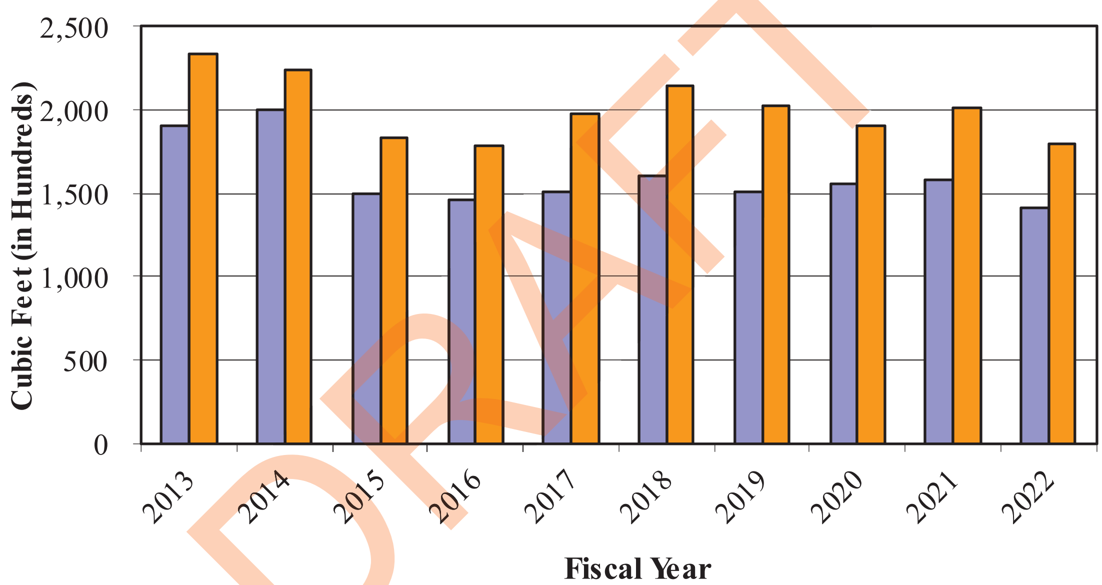



**Source:** SLVWD Finance Department

# San Lorenzo Valley Water District
## Revenue Base
## Last Ten Fiscal Years

**Schedule 4**

| Fiscal Year | Water Sales (Acre Feet) | Water Produced (Acre Feet) | % Loss |
|---|---|---|---|
| 2013 | 1,910 | 2,335 | 22% |
| 2014 | 1,995 | 2,239 | 12% |
| 2015 | 1,500 | 1,828 | 22% |
| 2016 | 1,461 | 1,787 | 22% |
| 2017 | 1,503 | 1,976 | 31% |
| 2018 | 1,601 | 2,142 | 34% |
| 2019 | 1,506 | 2,029 | 35% |
| 2020 | 1,557 | 1,907 | 22% |
| 2021 | 1,576 | 2,008 | 27% |
| 2022 | 1,415 | 1,796 | 27% |




**Notes:** See Schedule 2 "Operating Revenue by Source" for information regarding water revenues.
**Source:** SLVWD Finance Department

# San Lorenzo Valley Water District
# Revenue Rates(1)
# Last Ten Fiscal Years

**Schedule 5**

### Water Consumption Rates

Fiscal Year

| | | 2013(2) | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Residential - Tier 1 (per HCF) | $ | 2.710 | 3.090 | 3.430 | 3.810 | 3.810 | n/a | n/a | n/a | n/a | n/a |
| Residential - Tier 2 (per HCF) | | 3.540 | 4.040 | 4.480 | 4.970 | 4.970 | n/a | n/a | n/a | n/a | n/a |
| Residential - Tier 3 (per HCF) | | 4.240 | 4.840 | 5.370 | 5.960 | 5.960 | n/a | n/a | n/a | n/a | n/a |
| Residential - Tier 4 (per HCF) | | 4.590 | 5.360 | 5.950 | 6.610 | 6.610 | n/a | n/a | n/a | n/a | n/a |
| Residential - Tier 5 (per HCF) | | 5.000 | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Commercial/Flat (per HCF) | | * | 3.770 | 4.18 | 4.64 | 4.64 | 10.12 | 10.83 | 11.48 | 12.06 | 12.66 |
| Wholesale - Boulder Creek (per HCF) | | * | * | 10.00 | 10.00 | 10.00 | 14.39 | 15.40 | 16.32 | 17.14 | 17.99 |

* based on residential tiers above

### Ready-to-serve Fees per Month

Fiscal Year

| Meter Size | | 2013(2) | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 3/4" or smaller | $ | 49.73 | 55.20 | 30.64 | 34.00 | 34.00 | 28.27 | 30.24 | 32.06 | 33.66 | 35.34 |
| 1" | | 82.90 | 92.02 | 51.00 | 56.50 | 56.50 | 42.36 | 45.33 | 48.05 | 50.45 | 52.97 |
| 1 1/2" | | 166.92 | 185.00 | 102.50 | 114.00 | 114.00 | 77.61 | 83.04 | 88.03 | 92.43 | 97.05 |
| 2" | | 265.68 | 295.00 | 163.50 | 181.50 | 181.50 | 119.91 | 128.30 | 136.00 | 142.80 | 149.94 |
| 3" | | 498.62 | 553.00 | 307.00 | 341.00 | 341.00 | 232.70 | 248.98 | 263.92 | 277.12 | 290.97 |
| 4" | | 829.76 | 921.00 | 511.00 | 567.00 | 567.00 | 359.58 | 384.75 | 407.84 | 428.23 | 449.64 |
| 6" | | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| 8" | | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| 10" | | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Fire service per inch diameter | | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |

**Notes:**
(1) Rates as of June 30 of each fiscal year.
(2) Bi-Monthly Billing Rates

**Source:** SLVWD Board of Directors approved Rates and Charges

# San Lorenzo Valley Water District
## Customers by Type
## Last Ten Fiscal Years

**Schedule 6**

| Fiscal Year | Residential | | Commercial | Landscape | Wholesale | | Total |
|---|---|---|---|---|---|---|---|
| | **Customer Type** | | | | | | |
| 2013 | 7,010 | | 289 | 12 | 37 | | 7,348 |
| 2014 | 7,035 | | 258 | 12 | 44 | | 7,349 |
| 2015 | 7,083 | | 258 | 12 | 50 | | 7,403 |
| 2016 | 7,566 | (1) | 266 | 13 | 42 | | 7,887 |
| 2017 | 7,592 | | 260 | 14 | 42 | | 7,908 |
| 2018 | 7,593 | | 260 | 14 | 46 | | 7,913 |
| 2019 | 7,588 | | 262 | 14 | 21 | (2) | 7,885 |
| 2020 | 7,599 | | 264 | 14 | 31 | | 7,908 |
| 2021 | 7,601 | | 264 | 13 | 37 | | 7,915 |
| 2022 | 7,604 | | 264 | 13 | 50 | | 7,931 |


**Note:** Number of customers as of June 30 of fiscal year.
(1) Majority of increase related to Lompico County Water District merger.
(2) Closed out accounts that have not used wholesale in over a year

**Source:** SLVWD Finance Department

# San Lorenzo Valley Water District
## Principal Customers
## Current Fiscal Year and Ten Years Ago

**Schedule 7**

| Customer ID | Customer Type | 2022 Water Consumed (AF) | 2022 Percentage of Total | 2014[1] Water Consumed (AF) | 2014[1] Percentage of Total |
|---|---|---|---|---|---|
| 2021-1 | Multi Residential | 29 | 1.86% | 31 (2) | 1.62% |
| 2021-2 | Multi Residential | 25 | 1.61% | 47 | 2.46% |
| 2021-3 | Industrial | 13 | 0.83% | 24 | 1.26% |
| 2021-4 | Landscape | 11 | 0.71% | 12 | 0.63% |
| 2021-5 | Multi Residential | 10 | 0.64% | 14 | 0.73% |
| 2021-6 | Industrial | 9 | 0.58% | 14 | 0.73% |
| 2021-7 | Wholesale | 7 | 0.45% | 7 | 0.37% |
| 2021-8 | Multi Residential | 6 | 0.39% | 5 | 0.26% |
| 2021-9 | Industrial | 4 | 0.26% | 5 | 0.26% |
| 2021-10 | Industrial | 4 | 0.26% | 5 | 0.26% |
| | Total | 118 | 7.58% | 164 | 8.59% |
| | Total Water Consumed (AF) | 1,557 | 100.00% | 1,910 | 100.00% |

AF = Acre Feet

**Notes:**
(1) Individual records will continue to be maintained to allow for a ten year comparison over time.
(2) Data is for FY1516

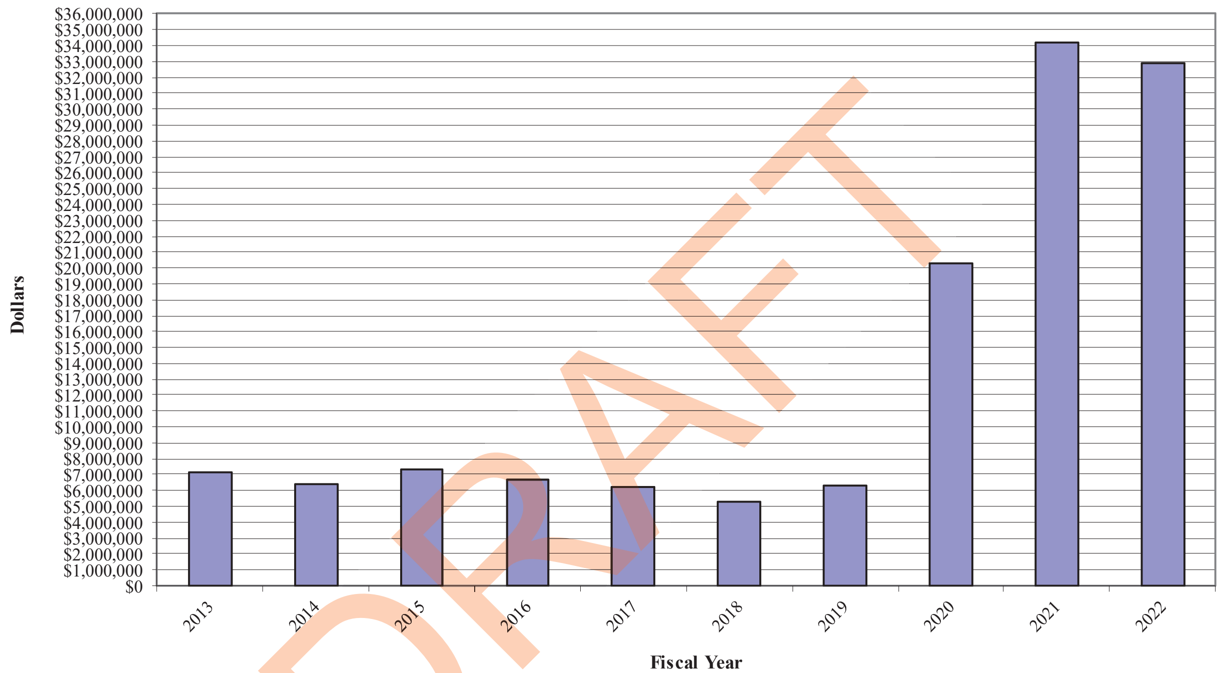
**Source:** SLVWD Finance Department

# San Lorenzo Valley Water District
# Ratio of Outstanding Debt
# Last Ten Fiscal Years

**Schedule 8**

| Fiscal Year | COP (1) | Bonds Payable | Loans Payable | Capital Lease | Total Debt | Per Capita | As a Share of Personal Income |
|---|---|---|---|---|---|---|---|
| 2013 | | 4,930,026 | 2,207,278 | | 7,137,304 | 388.48 | 0.78% |
| 2014 | | 4,344,115 | 2,073,045 | | 6,417,160 | 346.73 | 0.66% |
| 2015 | | 3,743,682 | 3,554,130 | | 7,297,812 | 370.12 | 0.65% |
| 2016 | | 3,253,332 | 3,416,993 | | 6,670,325 | 338.29 | 0.57% |
| 2017 | | 2,555,854 | 3,551,243 | 114,302 | 6,221,399 | 314.69 | 0.49% |
| 2018 | | 1,845,823 | 3,311,635 | 92,524 | 5,249,982 | 265.39 | 0.38% |
| 2019 | | 1,179,809 | 5,063,293 | 70,019 | 6,313,121 | 320.26 | 0.45% |
| 2020 | 14,887,705 | 597,778 | 4,760,158 | 46,859 | 20,292,500 | 1,026.43 | 1.44% |
| 2021 | 14,628,127 | 103,247 | 19,429,833 | 22,732 | 34,183,938 | 1,727.55 | * |
| 2022 | 14,353,548 | - | 18,497,385 | - | 32,850,933 | 1,656.84 | * |

* Current data not available yet




**Notes:**
(1) Certificate of Participation (COP)

**Source:** SLVWD Finance Department

# San Lorenzo Valley Water District
# Debt Coverage
# Last Ten Fiscal Years

**Schedule 9**

| Fiscal Year | Net Revenues | Operating Expenses[(1)] | Net Available Revenues | Debt Service Principal | Debt Service Interest | Debt Service Total | Coverage Ratio |
|---|---|---|---|---|---|---|---|
| 2013 | 6,037,975 | (4,736,829) | 1,091,787 | (1,099,569) | (211,233) | (1,310,802) | 0.83 |
| 2014 | 6,509,873 | (5,173,764) | 1,042,596 | (720,144) | (295,513) | (1,015,657) | 1.03 |
| 2015 | 6,579,284 | (5,552,334) | 933,599 | (737,932) | (127,850) | (865,782) | 1.08 |
| 2016 | 7,122,239 | (5,560,839) | 1,375,989 | (757,130) | (185,411) | (942,541) | 1.46 |
| 2017 | 8,659,374 | (7,109,458) | 1,549,916 | (873,247) | (166,204) | (1,039,451) | 1.49 |
| 2018 | 10,351,615 | (7,661,791) | 2,689,824 | (971,417) | (150,507) | (1,121,924) | 2.40 |
| 2019 | 11,269,498 | (7,341,031) | 3,928,467 | (936,861) | (153,662) | (1,090,523) | 3.60 |
| 2020 | 12,496,994 | (7,924,554) | 4,572,440 | (908,326) | (638,604) | (1,546,930) | 2.96 |
| 2021 | 12,681,643 | (9,694,417) | 2,987,226 | (1,073,244) | (772,887) | (1,846,131) | 1.62 |
| 2022 | 13,813,147 | (9,543,266) | 4,269,881 | (1,333,213) | (952,956) | (2,286,169) | 1.87 |

**Notes:**
(1) Operating expenses exclude depreciation expense.

**Source:** SLVWD Finance Department

# San Lorenzo Valley Water District
# Unfunded Employee Liabilities
# Last Ten Fiscal Years*

**Schedule 10**

| | Pension (1) | | | OPEB | | | |
|---|---|---|---|---|---|---|---|
| Fiscal Year | Employer Contributions | Total Liability | Discount Rate | Employer Contributions | Total Liability | Discount Rate | |
| 2015 | 223,328 | 2,307,630 | 7.50% | 30,960 | 214,707 | 4.00% | (2) |
| 2016 | 232,831 | 2,522,518 | 7.65% | 37,909 | 238,911 | 4.00% | |
| 2017 | 172,110 | 3,511,169 | 7.50% | 37,478 | 262,939 | 4.00% | |
| 2018 | 522,774 | 3,969,598 | 7.15% | 29,229 | 1,029,266 | 3.62% | (3) |
| 2019 | 427,168 | 3,805,659 | 7.15% | 32,501 | 1,138,893 | 3.13% | |
| 2020 | 486,796 | 4,158,344 | 7.15% | 43,216 | 1,990,505 | 2.21% | |
| 2021 | 544,811 | 4,530,116 | 7.15% | 48,310 | 2,128,882 | 2.16% | |
| 2022 | 651,671 | 2,236,443 | 7.15% | 42,118 | 1,517,577 | 3.69% | |

**Notes:**

(1) For the fiscal year ended June 30, 2015 and on, the District implemented GASB 68. This improves accounting and financial reporting by state and local governments for pensions. It required the District to bring the pension liability, or surplus, onto its books.

(2) Implemented in accordance with GASB 45.

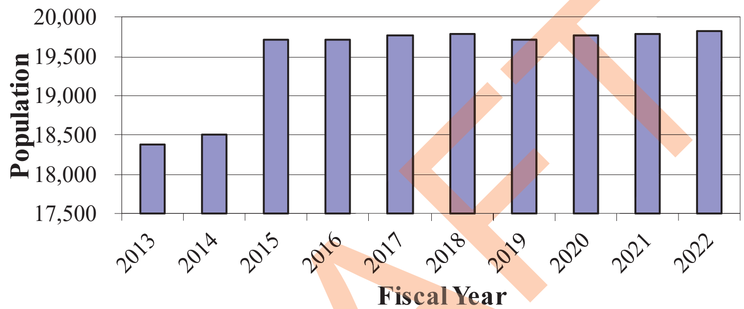
(3) For the fiscal year ended June 30, 2018 and on, the District implemented GASB 75, this replaced GASB 45. This improves accounting and financial reporting by state and local governments for other post employement benefits, similar to GASB 68 with pensions.

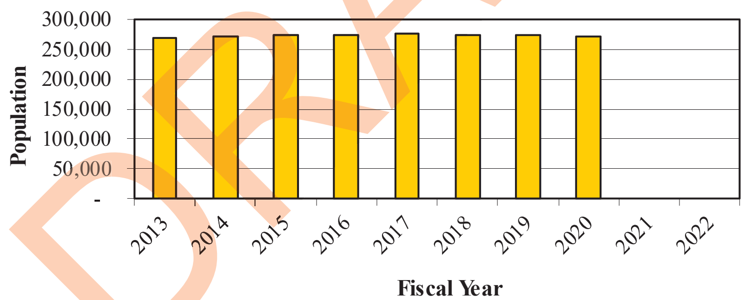
# San Lorenzo Valley Water District
# Demographics and Economics Statistics
# Last Ten Fiscal Years

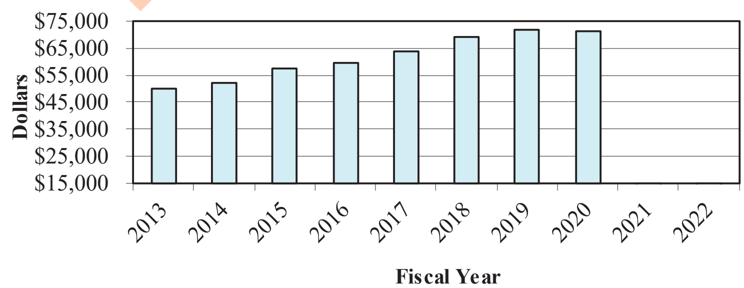
**Schedule 11**

| Year | District Population[2] | County of Santa Cruz[1]: Unemployment Rate | Population | Personal Income (thousands of dollars) | Personal Income per Capita |
|---|---|---|---|---|---|
| 2013 | 18,373 | 10.3% | 269,444 | 13,456,565 | 49,942 |
| 2014 | 18,508 | 8.7% | 271,804 | 14,209,814 | 52,280 |
| 2015 | 19,718 | 7.5% | 274,146 | 15,696,689 | 57,257 |
| 2016 | 19,718 | 6.9% | 274,673 | 16,330,704 | 59,455 |
| 2017 | 19,770 | 5.7% | 275,897 | 17,665,129 | 64,028 |
| 2018 | 19,783 | 4.9% | 273,841 | 19,021,010 | 69,355 |
| 2019 | 19,713 | 4.7% | 273,213 | 19,559,977 | 71,592 |
| 2020 | 19,770 | 11.4% | 270,861 | 20,502,635 | 71,480 |
| 2021 | 19,788 | 6.9% | * | * | * |
| 2022 | 19,828 | * | * | * | * |

* Current data not available yet






**Notes:**

(1) Only County data is updated annually. Therefore, the District has chosen to use its data since the District believes that the County data is representative of the conditions and experience of the District.

(2) Population data is assumed at 2.5 persons per connection.

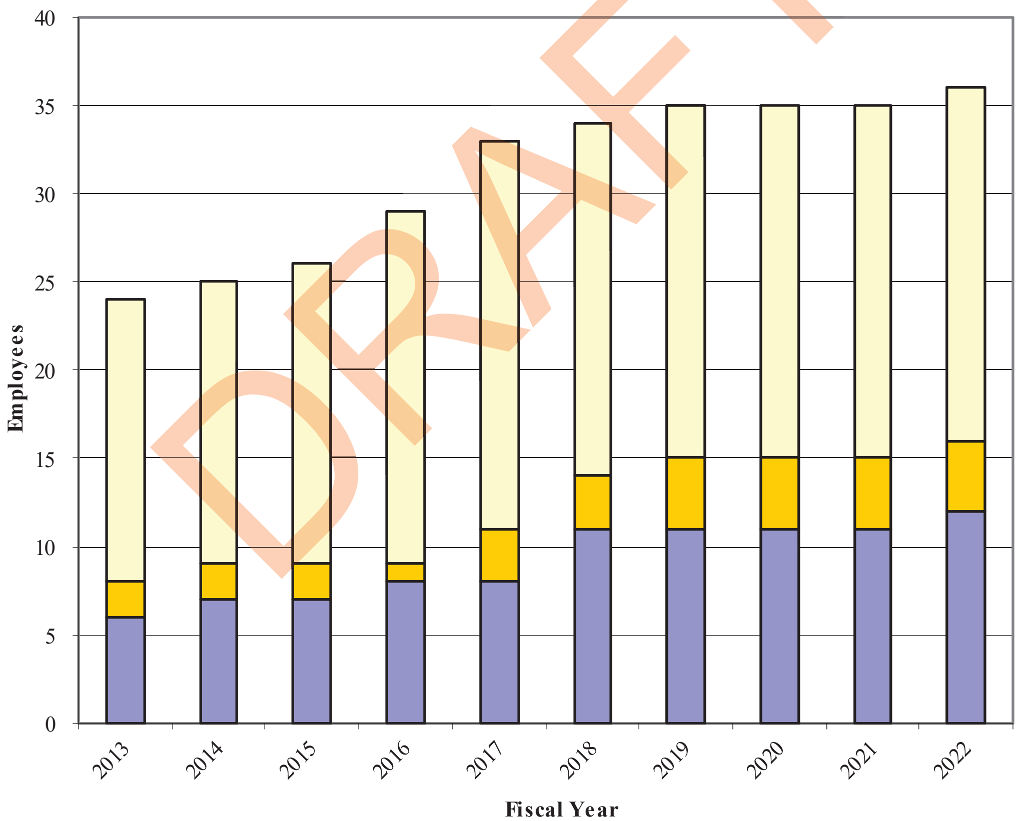
**Sources:** California Department of Finance, Bureau of Economic Analysis (BEA)
Bureau of Labor Statistics

# San Lorenzo Valley Water District
# Full-Time Equivalent Employees
# Last Ten Fiscal Years

**Schedule 12**

**Full-time Equivalent District Employees by Department**

| Fiscal Year | District Administration | Watershed & Engineering | Treatment & Operations | Total |
|---|---|---|---|---|
| 2013 | 6 | 2 | 16 | 24 |
| 2014 | 7 | 2 | 16 | 25 |
| 2015 | 7 | 2 | 17 | 26 |
| 2016 | 8 | 1 | 20 | 29 |
| 2017 | 8 | 3 | 22 | 33 |
| 2018 | 11 | 3 | 20 | 34 |
| 2019 | 11 | 4 | 20 | 35 |
| 2020 | 11 | 4 | 20 | 35 |
| 2021 | 11 | 4 | 20 | 35 |
| 2022 | 12 | 4 | 20 | 36 |




**Source:** SLVWD Finance Department

# San Lorenzo Valley Water District
# Operating and Capacity Indicators
# Last Ten Fiscal Years

**Schedule 13**

**Other Operating and Capacity Indicators**

| Fiscal Year | | District Area (Square Miles) | Miles of Pipeline | Storage Capacity (MG) | Production Capacity TP [(1)] (MGD) | Production Capacity Wells [(1)] (MGD) |
|---|---|---|---|---|---|---|
| 2013 | | 58 | 140 | 8,472,000 | 2,300,000 | 1,800,000 |
| 2014 | | 58 | 140 | 8,472,000 | 2,300,000 | 1,800,000 |
| 2015 | | 58 | 140 | 8,472,000 | 2,300,000 | 1,800,000 |
| 2016 | | 60 | 169 | 9,297,000 | 2,700,000 | 1,800,000 |
| 2017 | | 60 | 169 | 9,297,000 | 2,700,000 | 1,800,000 |
| 2018 | | 60 | 169 | 9,297,000 | 2,700,000 | 1,800,000 |
| 2019 | | 60 | 169 | 9,297,000 | 2,700,000 | 1,800,000 |
| 2020 | | 60 | 169 | 9,697,000 | 2,700,000 | 1,800,000 |
| 2021 | (2) | 62 | 190 | 9,272,500 | 2,440,000 | 2,844,000 |
| 2022 | | 62 | 190 | 9,396,620 | 2,440,000 | 2,844,000 |

MG - Millions of Gallons
MGD - Millions of Gallons per Day
TP - Treatment Plant

**Notes:**
(1) Production capacity varies based on water levels during the year.
(2) From completed Master Plan

**Sources:** SLVWD Operations Department and Urban Water Management Plan

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# Report on Internal Controls and Compliance

**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on Audits of Financial Statements Performed in Accordance with *Government Auditing Standards***

Board of Directors
San Lorenzo Valley Water District
Boulder Creek, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the San Lorenzo Valley Water District (District), as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated December 15, 2022.

**Internal Control Over Financial Reporting**

In planning and performing our audits of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on Audits of Financial Statements Performed in Accordance with *Government Auditing Standards*, continued**

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**Fedak & Brown LLP**
Cypress, California
December 15, 2022

# San Lorenzo Valley Water District
## Acronyms and Glossary of Terms

*The following is a listing of acronyms and glossary of terms that can commonly be found in past, current or potential future reports.*

### Acronyms

AF – Acre-Feet/Foot

ACFR –Annual Comprehensive Financial Report

ARC – Annual Required Contribution

CalPERS – California Public Employees Retirement System

CEQA – California Environmental Quality Act

CERBT – California Employers' Retiree Benefit Trust

CIP – Capital Improvement Project or Capital Improvement Program

COLA – Cost of Living Adjustment

COP – Certificates of Participation

CSDA – California Special District Association

CSMFO – California Society of Municipal Finance Officers

DOF – Department of Finance

DWR – Department of Water Resources

EIR – Environmental Impact Review

EPA – Environmental Protection Agency

ERP – Enterprise Resource Planning Software

FASB – Financial Accounting Standards Board

FBS – Finance and Business Services

FDIC – Federal Deposit Insurance Corporation

FMLA – Family Medical Leave Act

FSA – Flexible Spending Accounts

FTE – Full Time Equivalent

GAAP – Generally Accepted Accounting Principles

GASB – Governmental Accounting Standards Board

GFOA – Government Finance Officers Association

GIS – Geographic Information Systems

GPD – Gallons per Day

GPM – Gallons per Minute

GPS – Global Positioning Satellite

GSA – Groundwater Sustainability Agency

GSP – Groundwater Sustainability Plan

HR – Human Resources

**San Lorenzo Valley Water District**
**Acronyms and Glossary of Terms, continued**

## Acronyms, continued

JPA – Joint Powers Authority

LAFCO – Local Agency Formation Commission

LAIF – Local Agency Investment Fund

MG – Million Gallons

MGD – Million Gallons per Day

MOU – Memorandum of Understanding

O & M – Operations and Maintenance

OPEB – Other Post-Employment Benefits

PEPRA – Public Employees' Pension Reform Act

PRV – Pressure Reducing Valve

RFP – Request for Proposal

RFQ – Request for Qualifications

SCADA – Supervisory Control and Data Acquisition

SDI – State Disability Insurance

SDRMA – Special District Risk Management Authority

SEIU – Service Employees International Union

SGMA – Sustainable Groundwater Management Act

TP – Treatment Plant

UWMP – Urban Water Management Plan

## Glossary of Terms

**Accrual Basis of Accounting** – Method of accounting that recognizes the financial effect of transactions, and activities when they occur, regardless of the timing of related cash flows. Revenues are recorded when earned and expenses are recognized when incurred.

**Acre Foot** – an acre foot is enough water to cover an acre of land, about the size of a football field, one foot deep. It is the equivalent of about 326,000 gallons.

**Asset** – Anything of value such as an area of land, or a building, or an item of plant or equipment or infrastructure that provides service potential or future economic benefits over a period greater than three years, and has a cost that is material (at least $5,000).

**Balanced Budget** – The District's current operating expenses will be paid from current revenues and reserves carried forward from the prior year.

**Board of Directors** – The five public officials elected to represent the population within the District's service area. Also referred to as "the Board".

**Budget** – A financial plan showing authorized planned expenditures and their funding sources.

**Budget Process** – The schedule of key dates or milestones, which the District follows in the development, preparation, adoption, and administration of the budget.

**San Lorenzo Valley Water District**
**Acronyms and Glossary of Terms, continued**

## Glossary of Terms, continued

**California Environmental Quality Act (CEQA)** – A California statute passed in 1970, shortly after the United States federal government passed the National Environmental Policy Act (NEPA), to institute a statewide policy of environmental protection. CEQA does not directly regulate land uses, but instead requires state and local agencies within California to follow a protocol of analysis and public disclosure of environmental impacts of proposed projects and adopt all feasible measures to mitigate those impacts.

**Capital Improvement Program (CIP)** – Authorized expenditures for tangible and long-term physical improvements or additions of a fixed or permanent nature.

**Capital Project** – Projects budgeted as capital projects fall within the definition of capital expenditures, which means (1) they create or extend the lives of assets, (2) their work products have a useful life of more than three years, and (3) they involve an expenditure of District resources equal to or greater than $5,000.

**Centum Cubic-Feet (CCF)** – The standard rate of billing for water service. The District calculates one CCF as one unit of water. One CCF is equal to 100 cubic feet of water, which is 748 gallons.

**Consolidated Omnibus Budget Reconciliation Act (COBRA)** – COBRA gives employees the right to pay premiums and keep the group health insurance that they would otherwise lose after they quit their jobs, lose their jobs, or reduce their work hours. COBRA benefits are typically available for 18 months.

**Debt Service** – The current year portion of interest costs and current year principal payments incurred on long-term debt.

**Department** – A major organizational unit with overall managerial responsibility for functional programs of the District.

**Depreciation** – The reduction in value of a long lived asset from use or obsolescence. The decline in value is recognized by a periodic allocation of the original cost of the asset to current operations on an income statement.

**Enterprise Fund** – A fund established to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through "user charges."

**Environment Impact Review (EIR)** – Written record submitted to a deciding authority that identifies and examines the likely environmental effects of the continuing operations of an existing facility or those of a proposed project, and proposes measures to avoid, mitigate, or offset the identified effects.

**Expense** – A cost incurred in the operations of the District, most often settled with the payment of cash.

**Financial Accounting Standards Board (FASB)** - is a private, non-profit organization standard-setting body whose primary purpose is to establish and improve Generally Accepted Accounting Principles within the United States in the public's interest.

**Fiscal Year (FY)** – A 12-month period to which the annual operating budget applies and at the end of which a government determines its financial position and the results of its operations. (SLVWD's fiscal year is July 1 through June 30).

**Flexible Spending Accounts (FSA)** – A tax-favored program offered by employers that allows their employees to pay for eligible out-of-pocket health care and dependent care expenses with pre-tax dollars.

**Full-Time Equivalent (FTE)** – A measure of labor requirement equal to the full time use of one worker (e.g., could be one person full time or two people half time).

## Glossary of Terms, continued

**Generally Accepted Accounting Principles (GAAP)** – A collection of commonly-followed accounting rules and standards for financial reporting.

**Geographical Information Systems (GIS)** – An information system integrating maps with electronic data.

**Governmental Accounting Standards Board (GASB)** – A private, non-governmental organization that is the source of generally accepted accounting principles (GAAP) used by State and Local governments in the United States.

**Intertie** – An interconnection permitting passage of water between two or more water utility systems.

**Local Agency Formation Commission (LAFCO)** – A public agency with county-wide jurisdiction that regulates, approves, or denies boundary changes proposed by other public agencies or individuals.

**Management's Discussion and Analysis (MD&A)** – Management provided overview, summary, and analysis of the basic financial statements.

**Memorandum of Understanding (MOU)** – A formal agreement between two or more parties, such as between the District and its labor bargaining groups.

**Meter** – A device that measures and records the quantity of a substance, such as water or energy that has passed through it during a specified period.

**Other Post-Employment Benefits (OPEB)** – Benefits, other than pensions, that a state or local government employee receives as part of his or her package of retirement benefits. The District's OPEB is limited to retiree health benefits.

**Pay-Go** – A capital financing strategy to pay-as-you go by cash funding capital projects with current and accumulated revenues rather than borrowing funds that will be repaid with future revenues.

**Pressure Reducing Valve (PRV)** – A pressure reducing valve is a relief valve that automatically reduces high incoming water pressure to provide a lower, more functional pressure for residential water use.

**Pump** – A mechanical device for raising or lifting water, pushing it, and changing flow and pressure.

**Pump Station** – A structure containing pumps and appurtenant piping, valves, and other mechanical and electrical equipment for pumping raw water.

**Regulatory** – Something that is required due to a permit requirement, mandated regulation, or legislation.

**Reliability** – The probability that a system performs a specified function or mission under given conditions for a prescribed time.

**Reserves** – The portion of cash and investments that are held for a specific future use.

**Revenue** – Income the District receives from a variety of sources such as rates and charges, fees, and interest earnings.

**Statement of Cash Flows** – reports cash receipts, cash payments, and net change in cash. Helps identify where did cash come from, what it was used for and what the change was during the reporting period.

**Statement of Net Position** – includes all of the District's investment in resources, deferred inflow/outflow of resources, and obligations to creditors.

**Statement of Revenues, Expenses, and Changes in Net Position** – Takes all of the current year's revenues and expenses to help measure the success of the District's operations over the past year.

## Glossary of Terms, continued

**Strategic Plan** – The long-term goals, objectives, and performance measurement standards for the District.

**Supervisory Control and Data Acquisition (SCADA)** – A computer system that monitors and controls real time data from remote locations. The District uses a SCADA system to manage the tanks and pumps throughout the water distribution system.

**Sustainability** – The use of natural, community, fiscal, or utility resources in a manner that satisfies current needs without compromising future needs or options.

**Tank** – A vessel or container used to hold water or other liquid.

**Transmission Main** – A large water main that transports water from the main supply or source, to a distant area where the water is then further distributed. Finished water transmission mains usually have no or few connections.

**Transmittal Letter** – Letter from the District Manager, highlighting important details pertaining to the District. Is meant to compliment the MD&A and should be read in conjunction with the financials.

**Urban Water Management Plan (UWMP)** – A plan prepared by California urban water suppliers to support their long-term resource planning and ensure adequate water supplies are available to meet existing and future water demands. The UWMP must be prepared every 5 years. The District is currently starting its 2020 UWMP.

**Valve** – A device to regulate or isolate the flow of water.

**Water Distribution System** – A network of pipe, pumps, and storage facilities to transport potable water from the source/treatment facility to the consumer.

**Water Quality** – Various measures by which materials (contaminants) and appearance (aesthetics) are compared against what are considered appropriate levels for suitably potable water.

**Water Quality Monitoring** – Instrumentation and activities for measuring the quality of water.

**Water Treatment** – Any process that intentionally alters and improves the chemical, biological, or physical characteristics of water.

**Water Treatment Plant** – A facility where water treatment is performed to produce water for a specific end-use.

**Well** – (1) A subsurface source of water that is generally accessed through a drilled casing and pipe into the aquifer. (2) The entire system of the underground water source, pipe casing, pump, etc. Also called a borehole.